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CONSIDERATION OF ISSUES ARISING FROM THE WORK PROGRAMME OF THE AD HOC WORKING GROUP

A preliminary analysis of the results of the Uruguay Round and their effects on the trading prospects of developing countries

Report by the UNCTAD secretariat

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Abbreviations

AMS	agregate measure of support
CVD	countervailing duty
DMEC	developed market-economy country
FDI	foreign direct investment
GSP	generalized system of preferences
GDP	gross domestic product
GATT	General Agreement on Tariffs and Trade
IPR	intellectual property right
MFA	multi-fibre agreement
MFN	most favoured nation
MTNs	multilateral trade negotiations
NRPB	natural resource-based products
NTMs	non-tariff measures
RTA	regional trading arrangement
S and D	special and differential [treatment]
TNC	transnational corporation
TPRM	trade policy review mechanism
TRIMs	trade-related investment measures
TRIPs	trade-related intellectual property rights
WTO	World Trade Organization

INTRODUCTION

1. In accordance with its mandate and work programme, the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries is to analyze the results of the Uruguay Round and their effects on the trading prospects of the developing countries, including identification of product and export market opportunities which are a consequence of trade measures to implement the results of the Uruguay Round. In view of the timing of the completion of the Uruguay Round, the Ad Hoc Working Group had, at its second session, agreed by consensus to recommend to the Trade and Development Board to extend the period of the Group's mandate to the end of June 1994 in order to allow the Group to complete its work. The Group's fourth and final session, which is scheduled for 4-8 July 1994, will thus be devoted to a consideration of the results of the Uruguay Round and their effects on the trading prospects of developing countries.

2. In order to prepare the background analysis necessary for the Group's consideration of the results of the Uruguay Round, the Ad Hoc Working Group had also agreed at its second session to request participants of the Uruguay Round to provide the UNCTAD secretariat at the earliest date feasible with final lists of concessions made in the Uruguay Round.

3. The Final Act of the Uruguay Round was signed at Marrakesh, Morocco, on 15 April 1994. At the time of writing (May 1994), since this date, the UNCTAD secretariat had received only a limited number of final lists of concessions of Uruguay Round participants. This circumstance in conjunction with the relatively brief period in which the secretariat has had to undertake an analysis of the concessions and other results of the Uruguay Round has affected both the breadth and depth of the current report. For example, it was not possible to be comprehensive in the coverage of markets. Instead, the analysis of market access concessions is focused on the major markets, the so-called "Quad countries" - i.e. Canada, European Union, Japan and the United States - which together account in value for around two-thirds of world merchandise imports and for nearly 80 per cent of world service imports. In addition, given the multifaceted nature of the Uruguay Round results, the current report has been constrained to be selective in its analysis of those results. Accordingly, the report focuses on trade liberalization concessions and their implications for the market opportunities of developing countries and on those rule-making results with major implications for the domestic policy options of developing countries to promote export sector development.

4. Chapter I provides a general overview of the Uruguay Round agreements. Chapter II identifies broadly the export interests of developing countries in global trade in goods and services. Against this background, chapter III analyses, from the perspective of market opportunities for developing countries, the market access concessions of the Uruguay Round, in particular those of the "Quad countries". This chapter also contains an assessment of the possible impact of the market access concessions on trade flows. The final chapter considers the rule-making agreements of the Uruguay Round and their implications for the national policy options of developing countries to boost their export supply capabilities.

5. Given the range and complexity of the Uruguay Round agreements, this report should be seen as a first, preliminary, attempt by the UNCTAD secretariat to analyze the results of the Uruguay Round.

Chapter I

I. AN OVERVIEW OF THE URUGUAY ROUND AGREEMENTS

6. This chapter provides a brief overview of the results of the Uruguay Round focusing on selected issues and outcomes. These are summarized in table I.1 and discussed further below.

Market Access

7. The outcome of the Uruguay Round in the area of tariffs comprises essentially four elements: a complete elimination of tariffs in eleven sectors;[1] a liberalization component reflected in the fact that average tariffs on industrial goods will decline by about 38 per cent (on a trade-weighted basis); a substantial increase in the level of bound tariffs; and a harmonization component which results in higher tariffs being subject to deeper cuts. As a result, the trade weighted average tariff in industrial countries will decline from 6.4 per cent to 4 per cent and some 40 per cent of imports will enter duty free. The proportion of tariffs which are bound on industrial products in developed countries will increase from 78 per cent to 97 per cent and the proportion bound in developing countries from 21 per cent to 72 per cent. The precise implications for specific products will be apparent only from a close examination of the voluminous tariff schedules that form part of the agreement. More details on tariff concessions are provided below in chapter II of this report.

8. As tariffs have declined over the post-war period, reliance on non-tariff measures (NTMs) has increased, most notably since the mid-1970s. Their discriminatory application (largely against developing countries) and their opacity have been eroding the basic principles of GATT. Although there was a separate negotiating group on NTMs, the issue overlapped with agriculture, safeguards and anti-dumping negotiations. The outcome involves important commitments, not the least of which is the prohibition on the use of VERs, orderly marketing arrangements and other extra legal instruments.

Sectors[2]

9. Agriculture was the single most contentious issue in the Round. The outcome for agriculture has been the first occasion on which temperate zone agriculture has been subject to any liberalization under GATT. The agreement on Agriculture provides for commitments on market access which require the conversion to custom duties ("tariffication") of all measures affecting imports, the binding of the resultant tariffs and their subsequent reduction[3] as well as the maintenance of current access opportunities and minimum access tariff quotas at reduced tariff rates. The Agreement also provides for the reduction of domestic support measures in favour of agricultural producers[4] as well as of the value and volume of export subsidies. Developing countries are not required to make commitments to reduce subsidies aimed at reducing the cost of marketing exports, including internal and international transportation and freight. There are special provisions relating to food aid and assistance for the least developed and net food importing developing countries.

10. Trade in textiles and clothing has been subject to a special derogation, the Multi-fibre Agreement (MFA), from the non-discrimination clause of the General Agreement on Tariffs and Trade (GATT). The MFA provides a framework for the negotiations of bilateral agreements between "importing" (i.e. developed countries) and "exporting" countries (i.e. developing countries) to restrain the exports of the latter to the former. The Uruguay Round agreement commits Contracting Parties to phase out the MFA over a 10-year period, leading to the "integration" of this sector into GATT 1994, i.e. that the same rules will apply to trade in textiles and clothing as to any other product sector. The integration process will involve the elimination of current restrictions under

Table I.1

Uruguay Round agreements: a synopsis by selected issue and outcome

Issue	Outcome
Trade barriers	
Tariffs	· Average tariffs on industrial products cut by 38% · Elimination of duties in 11 sectors · Increase in proportion of bound duties
Non Tariff Measures	· Prohibition of grey areas measures · Tariffication of NTMs in agriculture
Sectors	
Natural resource based products	· Tariff reduction; increase in proportion of bound duties; some progress on escalation
Tropical products	· Reduction in tariff peaks; increase in proportion of bound duties; some progress on escalation
Textiles and Clothing	· Four stage phase out of MFA · Transitional safeguards · Constraints on circumvention
Agriculture	· Tariffication of NTMs and gradual reduction thereof · Constraints on non-decoupled domestic support · Reduction in value and quantity of products subject to export subsidies · Affirmation of rights and objections in sanitary and phytosanitary measures · Concessions for developing and least developed countries
GATT System	
Safeguards	· Prohibition of grey area measures · Explicit sunset arrangements · Tighter criteria for application · Limited provision for discrimination
Subsidies and CVDs	· Traffic light system introduced (prohibited, "actionable", and unprohibited subsidies) · Disciplines on use of CVDs
GATT Articles	· Requirements that interventions under XII and XVIII be price based · Clarification and reinforcement of XXIV criteria · Strengthening of procedures for calculating dumping margin under VI; as well as strengthening injury test and dispute settlement · Strengthening of provisions on rules of origin and pre-shipment inspection
MTNs	· New procedures for negotiation of compensation when bindings are modified to assist developing countries in negotiations
TRIMs	· Prohibition of TRIMs inconsistent with Articles III and XI · Phase out of existing TRIMs · Concessions for developing countries
New Issues	
TRIPs	· General commitment to MFN where possible · Specific provisions on copyrights, trademarks, geographical indications, industrial designs, patents, layout designs of ICs, trade secrets · Phased transition for developing countries
Services	· General commitment to MFN where possible · Arrangements for progressive liberalization · Specific institution provisions for: air transport, financial services, telecommunications
WTO	· Creation of WTO - "umbrella" organization · Commitment to sustain TPRM · Integrated dispute settlement system

the bilateral agreements up to the year 2005; and an increase of the quotas for products remaining under restraint during the 10-year transition period. Other restrictions not covered by the MFA will have to be either brought into conformity with GATT 1994 within one year, or phased out progressively before 2005. There will be a "transitional safeguard mechanism" during the 10-year period, under which new restrictions can be negotiated or imposed, on a selective basis, when importing countries determine that imports of textile and clothing products are causing "serious damage" to their domestic industries.

GATT system

11. The agreement on Safeguards contains detailed rules aimed at ensuring proper use of, and respect for the multilateral safeguard system. It provides for more transparent national procedures, a fixed timetable for the progressive phasing out of safeguard measures, and a threshold for safeguards against developing countries. It also requires members to phase out all voluntary export restraints and other "grey area" measures. However, while it states that safeguard measures shall be applied to a product regardless of source (i.e. on a most-favoured-nation (MFN) basis) it also permits members to depart from the obligation when imports from certain countries have increased in "disproportionate percentage" in relation to the total increase in imports over a specific period.

12. The new agreement on Subsidies and Countervailing Measures for the first time contains provisions on the definition of a subsidy and identifies subsidies which are to be prohibited, permitted, or applied only if they do not prejudice the trade interests of other countries. It also contains clearer rules for countervailing duties to protect domestic industries against subsidized imports and for other recourse against trade distorting subsidies.

13. A whole series of GATT Articles were reviewed and in some cases amended by the Uruguay Round. To constrain abuse of balance-of-payments interventions, it will henceforth be required that actions under Articles XII and XVIII be price-based. Article XXIV, which permits the establishment of regional trading arrangements (RTAs) has had its criteria clarified and reinforced to make agreement on RTAs less "automatic" than at present. The arrangements regarding Article VII's provisions for customs valuation have been tightened. All of these are significant. However, potentially the most important development in this area is the strengthening of anti-dumping provisions in Article VI.

14. The new agreement on anti-dumping contains more detailed procedures concerning "Determination of Dumping" and "Determination of Injury", which could be considered generally as a positive outcome for countries which are subject to anti-dumping investigations. An important new provision is the requirement of "immediate termination" of investigation in cases where the margin of dumping is "de minimis" or the volume of dumped imports, actual or potential, or the injury is negligible. It also includes a "sunset clause" which provides that an anti-dumping duty should be terminated not later than five years from its imposition.

15. In the area of trade-related investment measures (TRIMs), the agreement is essentially an affirmation of the applicability of existing disciplines - notably Articles III (national treatment on internal taxation and regulation) and XI (the general elimination of quantitative restrictions). Those TRIMs which are inconsistent with these articles are prohibited. The agreement specifies a list of prohibited TRIMs which includes some of the most widely used investment measures such as local content requirements and trade balancing requirements and provides for the phasing-out of pre-existing measures.

New issues

16. The agreement on trade-related intellectual property rights (TRIPs)

provides that members be obliged to apply the principles of MFN and national treatment with regard to the protection of intellectual property. In addition, specific provisions relate to: copyrights and related-rights, trademarks, geographical indications, industrial designs, patents, layout-designs of integrated circuits, trade secrets and control of anti-competitive practices. The obligations on the part of Governments to ensure enforcement are set out in each clause. The transition period for developed countries is relatively short (one year), the assumption being that most have pre-existing regimes. The transition is somewhat longer for developing countries (five years) and longest for the least developed (11 years). Where implementation of the agreement would entail extending product patent production to a field of technology not previously protected, an additional grace period is permitted (five years).

17. The General Agreement on Trade in Services (GATS) provides a new multilateral legal framework to govern trade in services. The GATS contains a set of general principles, mainly the unconditional most-favoured nation clause to govern "trade" in services, which is defined to include services supplied through (i) cross-border movement, (ii) movement of the consumer, (iii) commercial presence (i.e. right of establishment for investment), and (iv) movement of natural persons (i.e. the modes of supply). However, the commitments of members to provide market access and national treatment are confined to what is specifically included in their Schedules of Commitments. These commitments can apply to any sector or sub-sector and either of the four modes of supply.

WTO

18. One of the major aspects of the results of the Uruguay Round is the establishment of the World Trade Organization (WTO). The WTO will be an "umbrella" institution. Its main purpose is to bring all the agreements of the Uruguay Round within a single contractual framework. The WTO agreement itself has no substantive rules or principles other than those which are included in the multilateral trade agreements annexed to the WTO agreement.

Chapter II

THE EXPORT INTERESTS OF DEVELOPING COUNTRIES

19. In accordance with its work programme, the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries is to analyze the effects of the results of the Uruguay Round on the trading prospects of developing countries, including identification of opportunities arising from the reduction of tariffs and non-tariff measures on products of export interest to them. Accordingly, this chapter and the one following focus on the market opportunities for developing countries arising from the Uruguay Round. Against the background of an overview of developing countries' export interests in world trade in goods and services, chapter III will analyze, from the perspective of developing countries, the market access concessions of the Uruguay Round, particularly those related to major import markets.

20. The current export interests of developing countries reflect basically the categories of goods and services developing countries are currently capable of producing and supplying competitively on international markets. These are to be distinguished from potential export interests which reflect not only horizontal production possibilities at basically the same level of technological sophistication but also shifts in production possibilities and comparative advantage, owing to increases in technological capabilities and other factor endowments.

A. Developing countries in world trade: recent trends

21. Whereas the share of developing countries in world merchandise exports (excluding fuels) has tended to increase over the past decade, their share of world exports of services has been on a declining trend. As will be noted from table II.1, while the former share rose from 14.4 per cent to 19.2 per cent between 1980 and 1992, the latter share had declined from 20.8 per cent to 18 per cent (between 1985 and 1992). It will also be noted that the increasing share of developing countries in world merchandise trade is due mainly to their rising share in world manufactures' trade which almost doubled between 1980 and 1992, compensating for falling shares in other product categories - i.e. agricultural and metal products - between 1985 and 1992.

22. These aggregate figures for developing countries as a whole, which reflect an expansion of exports driven mainly by manufactures, conceal considerable differences among developing regions and individual countries. Regionally, Africa, the Middle East and Latin America all experienced relative declining shares in world exports during the 1980s in contrast with a steady upward trend for the Asian region. The bulk of this expansion was accounted for by a small but growing number of Asian countries.[5] Some other developing countries in other regions have also shown some dynamism in developing their exports in recent years and it can be expected that improved market access conditions will give impetus to their trade expansion.

B. The composition and destination of developing countries' exports

23. Information on the current product composition and main destinations of the non-fuel merchandise exports of developing regions is provided in table II.2. As will be noticed, for developing countries overall, manufactures account in value terms for about 76 per cent of their total non-fuel world exports. For the South and South-East Asian region, the share of manufactures in non fuel exports, at 86 per cent, is even higher. In contrast, the African region and least developed countries have the lowest shares of manufactures in their non-fuel exports (approximately 40 per cent and 31 per cent, respectively). In fact, for least developed countries and the African region, agricultural products constitute their largest category of exports. The proportion of ores and metals in the exports of least developed countries is the highest for all groups of

countries shown in table II.2.

Table II.1

Share of developing economies in world exports by major product group

(Excluding exports of fuels)

(percentages)

	Agricultural products	Ores and metals	Manufactures	Total exports (excl. fuels)	Commercial services
1980	28.6	26.1	9.7	14.4	..
1985	29.8	27.3	13.6	16.8	20.8
1992	25.2	26.3	18.2	19.2	18.1
Memo: Value of world exports (in US$ billions)					
1980	295.0	93.4	1 085.2	1 520.2	..
1985	260.4	70.6	1 188.7	1 571.8	386.5
1992	456.8	114.7	2 707.5	3 364.3	962.0

Source: UNCTAD secretariat computations based on United Nations Statistical Office data.

Table II.2

Merchandise exports of developing regions by main destination and product group, 1992

(percentage of region's merchandise exports)

	World	Total DMEC	EU	U.S.A.	Canada	Japan	Other DMEC	Total Dev'ing	Eastern Europe	Socialist Asia
Developing countries										
Agricultural products	17.8	10.7	4.9	2.6	0.2	2.4	0.4	5.5	0.8	0.6
Ores and metals	4.7	3.0	1.3	0.5	0.1	0.9	0.2	1.2	0.1	0.3
Manufactures	76.1	44.1	15.1	19.2	1.2	5.2	2.8	24.8	0.8	5.9
Total exports excl. fuels	100.0	58.6	21.7	22.7	1.5	8.6	3.6	31.9	1.7	6.9
America										
Agricultural products	39.3	26.6	13.4	9.6	0.4	2.1	0.7	9.2	2.8	0.4
Ores and metals	13.5	10.1	4.5	2.3	0.2	2.6	0.5	2.5	0.4	0.4
Manufactures	46.1	26.9	6.4	17.6	1.0	1.0	0.7	18.4	0.2	0.3
Total exports excl. fuels	100.0	64.2	24.5	29.8	1.6	5.7	2.0	30.2	3.4	1.1
Africa										
Agricultural products	45.0	32.9	25.5	2.1	0.3	2.6	1.4	9.0	1.6	0.4
Ores and metals	14.9	12.0	8.1	1.1	0.2	2.0	0.5	2.2	0.2	0.1
Manufactures	38.9	26.9	23.1	2.2	0.2	0.2	0.5	10.4	0.8	0.4
Total exports excl. fuels	100.0	73.1	57.4	5.6	0.7	5.1	2.4	21.8	2.6	1.0
West Asia										
Agricultural products	22.1	9.1	6.9	0.8	0.1	0.4	0.8	10.5	2.1	0.1
Ores and metals	7.8	2.6	1.1	0.2	0.0	1.0	0.3	4.5	0.2	0.4
Manufactures	69.0	33.3	25.3	3.0	0.3	1.1	3.2	30.7	2.7	1.4
Total exports excl. fuels	100.0	45.7	33.6	4.1	0.4	2.7	4.3	46.1	5.0	1.9
South and South-East Asia										
Agricultural products	10.9	5.8	1.6	1.2	0.1	2.6	0.2	4.2	0.2	0.7
Ores and metals	1.7	0.7	0.1	0.1	0.0	0.5	0.0	0.7	0.0	0.3
Manufactures	86.0	49.7	15.2	22.3	1.5	6.9	3.3	27.5	0.7	8.0
Total exports excl. fuels	100.0	57.1	17.1	24.0	1.6	10.1	3.6	32.7	0.9	9.2
Least developed countries										
Agricultural products	45.9	23.9	15.4	2.4	0.3	4.0	1.3	16.8	2.7	0.8
Ores and metals	22.0	18.7	11.2	2.0	0.5	4.8	0.2	2.6	0.1	0.1
Manufactures	30.7	24.3	14.4	7.7	0.4	0.4	1.2	5.2	0.3	0.5
Total exports excl. fuels	100.0	68.2	41.8	12.6	1.1	9.2	2.8	24.7	3.1	1.3

Source: UNCTAD secretariat computations based on United Nations Statistical Office data.

24. With regard to the main destinations of developing countries' exports, table II.2 indicates that currently around 59 per cent of developing countries' total non-fuel exports are absorbed by the developed market-economy countries (DMECs), about 32 per cent by other developing countries, about 7 per cent by socialist Asia (including China) and 1.7 per cent by Eastern Europe. The three major developed country markets - European Union-12, United States and Japan - alone account as destinations for about 53 per cent of developing countries' total non-fuel exports. From the regional perspective, developing Africa, the least developed countries and developing America have the highest shares of their non-fuel merchandise exports destined for DMECs - 73.1 per cent, 68.2 per cent and 64.2 per cent, respectively. Again, the concentration is on the three major developed-country markets; and in the case of Africa, the share of one market alone, the European Union-12, is about 57 per cent. West Asia is the only developing country region which exports less than 50 per cent (in fact only about 46 per cent) of its non-fuel exports to DMECs.

25. The foregoing analysis suggests, broadly speaking, that while exports of agricultural products and ores and metals remain a major component of foreign exchange earnings for many developing countries for which the new market conditions emerging from the Uruguay Round may offer increased export prospects, the interest of developing countries in trade expansion may lie more in the improvement of their capacities to export manufactured products. In addition, notwithstanding the undoubted potential for increased South-South trade and trade with the economies in transition, it seems likely that such expansion may result mainly from their trade with developed countries. Thus, a major objective for developing countries may consist in taking the fullest advantage of the improved market access conditions in the developed economies for their exports.

C. Products of current and potential export interests to developing countries

1. Agricultural products

26. In spite of the declining trend of developing countries' trade in agricultural products in relation to trade in manufactures over the past decades, trade in this product sector remains important for many developing countries. Much of the interest of developing countries in expanding their trading opportunities in the agricultural sector lies in products which are produced mainly in tropical climates which have traditionally accounted for substantial shares of their export earnings. Nevertheless, developing countries have also demonstrated substantial interest in exports of "temperate-zone products", as can be observed in tables II.3 and II.4

27. These tables show the importance of developing countries' trade in a number of product sectors in terms of the market size, their participation in this trade and the contribution of the various product groups to total earnings from exports to the developed market-economy countries. Imports of agricultural products into these markets from developing countries as a group, which amounted to 72 billion dollars in 1992, represented 24 per cent of all agricultural imports and accounted for 18 per cent of total earnings from non-fuel exports to DMECs. Product groups of particular export interest to developing countries include vegetables and fruits (tropical and non-tropical), especially for Latin American countries, with a 20 per cent share of the market; coffee, tea, cocoa and spices taken together for which all three groups of developing countries have substantial market shares, but more specifically Latin America and African countries; vegetable oils (mainly tropical), for which Asian developing countries hold one-third of the market in imports by DMECs; and the meat sector, which is relatively important in terms of the size of the market which represented more than US$4 billion of imports in 1992, and is specially important for developing countries in Asia and America. There is also substantial export interest in sugar for all three groups of developing countries, in particular Latin America.

Table II.3

Shares of developing countries in imports by DMECs of selected product categories, 1992

(imports in millions of US dollars; shares in per cent)

Products	Total imports	Developing countries' market shares			
		All	Africa	America	Asia
Agricultural products (excluding NRBPs)	303 727.9	23.7	3.1	10.9	9.3
of which:					
Meat and meat preparations	34 554.7	12.0	0.2	6.4	5.0
Cereals and cereal preparations	23 736.6	5.1	0.1	2.0	3.0
Vegetables and fruit	53 955.4	33.7	3.0	19.3	10.9
Sugar	8 164.7	34.8	7.6	17.2	7.9
Coffee, tea, cocoa, spices	17 429.9	56.9	17.2	28.9	9.9
Oilseeds & oleaginous fruit	8 357.5	22.9	0.8	20.8	1.0
Fixed vegetable oils	5 682.9	42.1	6.1	3.7	30.3
Tobacco and tobacco manufactures	10 582.9	27.0	6.3	12.1	8.2
Natural resource-based products	161 901.3	27.0	3.7	10.3	12.1
Fishery products	34 725.8	41.6	4.8	11.7	24.6
Forestry products	48 570.1	22.4	2.6	4.9	13.7
Non-ferrous metals	78 605.4	23.4	3.8	13.0	5.6

Source: UNCTAD secretariat computations based on United Nations Statistical Office data.

Table II.4

Contribution of selected product categories to developing countries' total earnings from non-fuel exports* to DMECs, 1992

(millions of US dollars and percentages)

Products	All developing countries		Developing countries in		
	Export value	Contribution	Africa	America	Asia
Agricultural products (excluding NRBPs)	72 939.0	18.1	35.0	32.7	11.0
of which:					
Meat and meat preparations	4 144.2	1.0	0.2	2.2	0.7
Cereals and cereal preparations	1 200.2	0.3	0.1	0.5	0.1
Vegetables and fruit	18 179.0	4.6	6.1	10.3	2.3
Sugar	2 839.6	0.7	2.3	1.4	0.1
Coffee, tea, cocoa, spices	9 910.2	2.5	11.3	5.0	0.7
Oilseeds & oleaginous fruit	1 915.6	0.5	0.2	1.7	0.0
Fixed vegetable oils	2 392.5	0.6	1.3	0.2	0.7
Tobacco and tobacco manufactures	2 860.1	0.7	2.5	1.3	0.3
Natural resource-based products	43 690.0	11.0	22.3	16.4	7.6
Fishery products	14 443.8	3.6	6.2	4.0	3.3
Forestry products	10 870.4	2.7	4.7	2.4	2.6
Non-ferrous metals	18 375.8	4.6	11.3	10.2	1.7
Memo item:					
DMECs total imports (less fuels) (millions of US dollars)	398 446.8	..	26 528.7	101 384.8	257 213.9

Source: UNCTAD secretariat computations based on United Nations Statistical Office data.

* Computed on the basis of imports by DMECs.

The share of developing countries in imports of cereals and cereal products is relatively low, but there is nevertheless substantial interest in terms of the value of these imports (US$1.2 billion in 1992).

28. While the share of African developing countries in DMECs' imports of agricultural products is generally lower than that of the two other country groupings, their dependence on export earnings from agricultural products is greater, in particular compared to that of the Asian developing countries as a group, as 35 per cent of all imports from African developing countries into developed market-economy countries consists of agricultural products. The interest of African countries in agricultural trade is important in product groups which consist mostly of tropical products, such as coffee, tea, cocoa, and spices, vegetables and fruit, vegetable oils, tobacco, and sugar. For the Latin American group of countries, the interest in terms of contribution of agriculture to total export earnings covers both tropical and temperate-zone products.

2. Natural resource-based products

29. Developing countries' interest in expanding trading opportunities with regard to natural resource-based products is also reflected in tables II.3 and II.4. Developed market-economy countries' imports of products in this category from all developing countries amounted to nearly US$44 billion (27 per cent of all their imports in this sector) in 1992 and they represented more than one-tenth of the value of imports of all products. More than 41 per cent of imports of fishery products into the main developed market-economy countries originated in developing countries, reaching almost US$14.5 billion in 1992, mostly from Asian developing countries. Most of the US$11 billion worth of imports of forestry products from developing countries also originated in Asia and more than half of developing countries' supplies of non-ferrous metal products, exceeding US$18 billion worth, came from Latin American countries.

30. As with the agricultural sector, natural resource-based product exports are more important, in terms of share of export earnings, for African developing countries than for those in Latin America and Asia. The three categories of natural resource-based products account for more than 20 per cent of DMECs imports of all products (excluding fuels) from African developing countries, compared with 16 per cent and 8 per cent from developing countries in Latin America and Asia, respectively. The most important category in this sector in terms of export earnings is that of non-ferrous metals, in particular for African and Latin American countries for which imports by DMECs in 1992 amounted to US$3 billion and more than US$10 billion, respectively.

3. Manufactures

31. Developing countries have substantial market shares in the imports of developed market-economy countries in a number of manufactured product sectors. Table II.5 shows that in 1992 they held market shares of 20 per cent or more in eleven sectors, seven of them with shares of at least 30 per cent. The most important sectors among these, in terms of market shares and taking into account the size of the market, are textiles and clothing, office machines and telecommunications equipment, footwear and furniture.

32. The contribution of each sector to total non-fuel export earnings provides an indication of sectors where developing countries have current as well as potential export interest. As will be noticed in table II.6, sectors which contributed most to developing countries' export earnings[6] (2 per cent or more of total exports excluding fuels) also coincided with those sectors in which developing countries have substantial market shares. These include metal and non-metallic mineral manufactures, automotive products, electrical machinery and apparatus, other non-electrical machinery and miscellaneous manufactures. As table II.6 shows, the contribution of most of these sectors to total export

Table II.5

Developing countries shares in imports by DMECs, 1992

(imports in billions of US dollars; shares in per cent)

Sector	Total imports	Developing countries' market shares			
		All	Africa	America	Asia
Iron and steel	66.6	11.9	0.5	4.2	6.5
Chemicals	233.2	5.5	0.5	1.8	3.0
Organic chemicals	58.0	8.7	0.3	3.2	5.1
Plastics	51.0	4.7	0.0	0.9	3.4
Inorganic chemicals	19.6	7.9	2.3	3.7	1.7
Pharmaceuticals	37.6	1.8	0.0	0.8	0.8
Other chemicals	67.0	4.6	0.8	1.2	2.5
Other semi manufactures	220.1	14.8	1.3	2.8	10.1
Leather, dressed furskins	8.8	35.6	3.2	14.6	15.6
Rubber	22.8	11.9	0.1	1.8	9.3
Cork and wood (excl. furniture)	16.4	31.8	1.2	3.5	26.3
Paper and paperboard	54.1	2.7	0.0	1.1	1.3
Non-metallic mineral manufactures	59.2	19.6	3.9	3.5	11.8
Manufactures of metal n.e.s.	58.8	14.4	0.1	2.1	11.9
Machinery and transport equipment	950.1	13.0	0.1	3.0	9.6
Power generating machinery	35.1	6.9	0.2	2.3	4.3
Other non-electrical machinery	179.9	5.2	0.1	1.4	3.7
Office and telecom. equipment	255.4	27.9	0.1	2.7	24.7
Office machines	131.8	23.7	0.0	1.3	22.3
Telecommunications equipment	78.1	30.6	0.1	5.9	24.5
Electrical machinery and apparatus	101.9	17.9	0.2	6.5	10.9
Automotive products	291.1	4.9	0.0	3.4	1.2
Other transport equipment	86.8	8.3	0.8	2.2	4.9
Textiles	71.0	21.5	0.9	2.4	17.7
Clothing	122.5	47.9	3.6	5.8	37.8
Other consumer goods	282.8	19.4	0.2	2.7	16.2
Sanitary, plumbing, etc. fixtures	9.6	20.2	0.2	3.3	16.4
Furniture	31.6	20.3	0.1	4.2	14.9
Travel goods, handbags, etc.	9.0	35.0	0.6	2.1	32.2
Footwear	28.0	39.2	0.5	7.7	30.4
Scientific, control. instruments	45.8	8.1	0.2	2.8	5.0
Photographic apparatus etc.	31.7	15.0	0.2	1.0	13.5
Miscellaneous articles	127.1	19.0	0.1	1.7	16.9

Source: UNCTAD secretariat computations based on United Nations Statistical Office data.

Table 11.6

Developing countries' sectoral contribution to total non-fuels earnings from exports to DMECs [a]

(percentages)

Sectors	All developing countries		Developing countries in					
			Africa		America		Asia	
	1985	1992	1985	1992	1985	1992	1985	1992
Iron and steel	2.2	1.8	1.0	1.1	2.9	2.4	1.7	1.4
Chemicals	3.1	3.0	4.3	3.9	4.4	3.8	2.1	2.5
Organic chemicals	1.2	1.2	0.7	0.5	2.1	1.6	0.8	1.1
Plastics	0.5	0.5	0.0	0.1	0.4	0.4	0.6	0.6
Inorganic chemicals	0.6	0.4	2.3	1.5	0.8	0.7	0.1	0.1
Pharmaceuticals	0.3	0.2	0.1	0.0	0.4	0.3	0.2	0.1
Other chemicals	0.6	0.7	1.2	1.9	0.7	0.7	0.5	0.6
Other semi-manufactures	6.7	7.5	3.6	10.0	4.4	5.4	8.4	8.0
Leather, dressed furskins	0.9	0.7	0.6	0.9	1.0	1.1	0.8	0.5
Rubber	0.5	0.6	0.0	0.1	0.3	0.3	0.7	0.7
Cork and wood (excl. furniture)	1.0	1.2	0.6	0.7	0.4	0.5	1.4	1.4
Paper and paperboard	0.4	0.4	0.0	0.0	0.7	0.6	0.2	0.2
Non-metallic mineral manufactures	2.1	2.7	2.2	7.7	1.4	1.8	2.4	2.5
Manufactures of metal, n.e.s.	1.8	2.0	0.2	0.1	0.6	1.1	2.8	2.5
Machinery and transport equipment	19.6	29.1	2.4	4.8	17.3	24.8	24.1	33.8
Power generating machinery	0.6	0.6	0.4	0.2	0.4	0.7	0.8	0.6
Other non-electrical machinery	1.7	2.2	0.2	0.3	1.2	2.2	2.1	2.4
Office and telecom. equipment	10.4	17.1	0.4	1.0	5.0	6.0	15.5	23.8
Office machines	2.7	7.6	0.1	0.1	1.2	1.5	4.1	11.1
Telecommunications equipment	4.5	5.7	0.2	0.3	3.0	3.9	6.3	7.2
Electrical machinery and apparatus	3.3	4.4	0.3	1.0	3.4	5.6	3.8	4.2
Automotive products	2.4	3.3	0.2	0.2	6.3	8.7	0.4	1.3
Other transport equipment	1.3	1.6	0.9	2.0	1.1	1.6	1.5	1.4
Textiles	3.7	3.7	2.2	2.6	1.8	1.6	5.0	4.8
Clothing	11.9	14.4	5.0	17.2	2.3	5.8	18.1	17.4
Other consumer goods	12.1	12.9	1.0	2.0	4.7	6.7	17.9	16.6
Sanitary, plumbing, etc. fixtures	0.3	0.4	0.0	0.1	0.1	0.2	0.4	0.5
Furniture	1.1	1.4	0.0	0.1	0.4	1.1	1.4	1.6
Travel goods, handbags, etc.	1.0	0.8	0.1	0.2	0.1	0.2	1.6	1.1
Footwear	3.1	2.5	0.2	0.5	2.0	1.9	4.2	3.0
Scientific, etc. instruments	0.5	0.9	0.2	0.3	0.4	1.1	0.6	0.9
Photographic apparatus, etc.	1.1	1.2	0.1	0.2	0.2	0.3	1.7	1.6
Miscellaneous articles	5.1	5.7	0.4	0.6	1.5	2.0	8.1	7.9

Source: UNCTAD computations based on United Nations Statistical Office data.

a Based on imports by developed market-economy countries

earnings of developing countries rose between 1985 and 1992 - this is particularly true for such sectors as clothing, office machines and telecommunications equipment, and electric machinery and apparatus - while that of a few, such as footwear decreased. This overall pattern is, with few exceptions, similar for all developing regions, although it reflects mainly the situation of the Asian developing region, and to a lesser extent that of Latin America. For these two regions it should be noted that, while the share of office machines and telecommunications equipment, electric machinery and apparatus, and the automotive products sectors rose in export earnings, that of sectors such as iron and steel, textiles, and footwear have declined. In the case of the Asian region, there has been a decline in contributions of the clothing, travel goods and miscellaneous manufactured products sectors to total non-fuel export earnings.

33. The most dynamic export sectors in world trade, in terms of average growth rates of imports by the developed economies, can be used as indicators of potential export interest to developing countries. Table II.7 provides information on growth rates in imports of DMECs, by manufacturing sector, from the world and from developing countries. Between 1985 and 1992, there were nine sectors with average growth rates in imports from developing countries of 15 per cent or more, or in which growth rates in imports from developing countries exceeded import growth from the world by at least 5 percentage points.[7] It is noteworthy that for most sectors, the average growth rates in imports from Asian developing countries is higher than for imports from the other two developing regions. While there are also high growth rates in imports from Africa and Latin America for some sectors, they are associated with rather low trade volumes and market shares. This is particularly true in the case of Africa. By contrast, the rapid expansion in imports from Asia occurred in sectors where Asian developing countries already had significant market shares.

34. While the differential growth rates in imports from developing regions may reflect current regional differences in comparative advantage, nevertheless, sectors in which Asian developing countries have been able to expand their manufactured exports to DMECs may provide some guidance as potential areas of export interest to developing countries of other regions.

D. Services of current and potential export interests to developing countries

35. For the large majority of developing countries, services do not yet make a net contribution to the external sector. However, for several developing countries there is a combined positive position on travel and earnings derived from nationals working abroad. In such cases, trade in services involves movement of persons across national frontiers, either as provider of services (i.e. workers' remittances) or as purchasers of service (i.e. travel). Developing countries which have experienced the fastest growth in their manufactured goods exports are those which have emerged as relatively strong in their services trade. In sum, there seems to be complementarity between the two trade flows.

36. Developing countries fall into three categories *vis-à-vis* services transactions. At one end of the spectrum are those, particularly the major exporters of minerals and commodities, with substantially negative positions on interest payments and trade in services. In between are those developing countries that show relatively strong positions in earnings from travel (tourism) and labour income. At the other end of the spectrum are certain Asian countries which have experienced rapid growth in exports of both manufactures and services in recent years. These countries have been able to take advantage of both the demand for goods, particularly in the developed market-economy countries, and the demand for services, especially in other developing countries.

37. The relative importance of commercial services transactions for developing

Table II.7

Average growth rates in DMECs imports from world and from developing countries

(percentages)

Sectors	1980-1992					1985-1992				
	World	*DCs*	*Africa*	*America*	*Asia*	*World*	*DCs*	*Africa*	*America*	*Asia*
Iron and steel	2.0	8.1	3.9	8.6	10.2	5.1	6.9	6.2	4.6	10.1
Chemicals	6.6	9.9	0.7	8.4	15.6	9.9	9.7	4.9	5.2	15.5
Organic chemicals	5.9	13.6	2.2	10.4	19.5	8.1	10.2	-0.1	4.4	17.9
Plastics	6.2	17.1	10.0	23.2	16.5	9.5	11.9	15.7	7.5	13.9
Inorganic chemicals	2.1	0.9	-4.5	3.8	7.8	2.7	4.3	-0.1	4.8	12.9
Pharmaceuticals	11.2	4.2	0.2	3.9	4.7	16.7	3.8	-3.4	4.1	3.6
Other chemicals	7.4	11.9	10.0	8.1	15.6	11.7	13.0	13.4	7.2	17.1
Other semi-manufactures	5.3	9.7	9.9	10.1	9.8	10.0	12.0	22.4	11.0	11.6
Leather, dressed furskins	4.2	6.0	7.2	5.8	5.7	5.8	6.7	13.6	8.9	3.9
Rubber	6.5	11.7	16.2	20.2	11.5	10.7	12.2	20.3	9.4	13.2
Cork and wood (excl. furniture)	5.3	7.1	0.2	7.2	7.8	11.2	11.7	5.2	9.1	12.6
Paper and paperboard	6.8	11.2	20.7	11.0	12.5	9.9	8.1	5.8	4.3	15.2
Non-metallic mineral manufactures	3.7	10.7	11.7	10.5	10.4	10.1	15.2	27.7	12.5	13.5
Manufactures of metal, n.e.s	5.7	11.1	11.6	15.6	10.8	10.1	11.2	5.5	17.7	10.6
Machinery and transport equipment	8.4	15.6	4.9	16.3	16.0	10.5	16.6	16.0	13.8	17.6
Power generating machinery	9.3	10.5	-1.8	18.1	9.9	12.4	9.6	-4.6	17.4	8.3
Other non-electrical machinery	5.7	15.4	9.3	17.6	15.8	10.1	14.8	8.9	17.7	14.3
Office and telecom. equipment	11.7	16.2	17.5	12.4	16.7	11.9	18.3	21.4	11.4	19.2
Office machines	13.8	30.6	16.5	12.6	34.9	13.2	27.4	13.1	12.6	29.1
Telecommunications equipment	9.3	12.1	7.6	13.6	11.8	9.1	13.9	9.3	13.1	14.2
Electrical machinery and apparatus	9.3	15.9	11.9	17.2	16.3	12.6	14.2	19.0	16.6	13.2
Automotive products	8.5	21.7	8.1	21.6	28.5	8.8	15.9	11.6	13.1	32.5
Other transport equipment	5.9	7.2	1.6	10.1	7.9	10.6	13.2	20.5	12.8	11.9
Textiles	4.2	5.6	2.6	3.5	6.1	7.9	9.1	5.4	4.7	10.2
Clothing	9.0	10.2	15.4	17.0	9.5	12.8	11.6	22.9	23.3	10.2
Other consumer goods	8.5	10.7	10.8	13.0	10.6	12.4	11.4	16.6	13.7	11.2
Sanitary, plumbing, etc. fixtures	9.3	18.4	44.9	20.5	18.7	17.0	18.8	44.0	18.1	19.0
Furniture	8.9	15.0	14.0	23.6	15.4	13.2	14.8	36.0	24.9	14.8
Travel goods, handbags, etc.	10.8	6.6	7.6	4.3	6.8	13.9	6.4	15.8	11.4	6.1
Footwear	7.1	9.1	12.7	11.7	8.8	9.0	6.9	22.3	6.8	7.2
Scientific, controlling instruments	8.6	16.8	9.0	19.2	16.8	11.5	20.2	11.4	24.1	18.9
Photographic apparatus etc.	5.1	6.5	13.1	17.8	6.0	8.9	11.2	14.2	17.4	11.0
Miscellaneous articles	9.6	11.3	9.4	9.4	11.7	14.2	12.3	13.8	12.6	12.3

Source: UNCTAD secretariat computations based on United Nations Statistical Office data

countries is illustrated in tables II.8 and II.9. On the export side, the main sources of revenues for developing countries are travel (i.e. tourism) and other private services and income. On the import side, transport and other private services and income are the main debit items for developing countries. The pattern of trade in services holds true for all developing regions. Developing countries as a whole, as well as most developing regions, have net positive balances only on travel and labour income. The exceptions are the Middle East, which shows a negative balance on travel, and the Asia region which is the only developing region to show a net positive position on "other private services and income". The particular importance of labour services income for selected countries from the three developing regions is illustrated in table II.10.

38. As regards the share of developing country services exports in world services trade, table II.9 shows that this share was largest for labour income (37.1 per cent) followed by travel (21.2 per cent). This pattern holds true for all developing regions except Latin America and the Caribbean where the share of travel outweighs that of labour income. Nevertheless, the overall pattern demonstrates the relative importance of movement of national persons as a mode of supply for developing countries.

Table II.8

Commercial services trade balance of developing regions, 1992

(billions of US dollars)

		World	DEVELOPING REGIONS				
			Total	Africa	Asia	Middle East	Latin America & Caribbean
TOTAL	*Exports*	962.0	174.2	15.9	96.5	23.1	38.7
	Imports		206.2	23.5	99.0	43.0	40.7
	Balance		-32.0	-7.6	-2.5	-19.9	-2.0
TRANSPORT	*Exports*	252.5	49.0	4.8	27.8	7.0	9.4
	Imports		85.1	11.0	43.6	13.6	16.9
	Balance		-36.1	-6.2	-15.8	-6.6	-7.5
TRAVEL	*Exports*	282.3	59.9	5.7	31.6	5.6	17.0
	Imports		50.7	4.3	25.6	6.4	14.4
	Balance		9.2	1.4	6.0	-0.8	2.6
OTHER PRIVATE SERVICES & INCOME	*Exports*	427.1	66.3	6.4	37.1	10.4	12.4
	Imports		70.1	8.2	29.7	22.8	9.4
	Balance		-3.8	-1.8	7.4	-12.4	3.0
- LABOUR INCOME	*Exports*	19.4	7.2	1.5	4.5	0.4	0.8
	Imports		2.8	0.3	1.6	0.1	0.8
	Balance		4.4	1.2	2.9	0.3	0.0
- PROPERTY INCOME	*Exports*	36.9	0.7	0.1	0.4	0.1	0.1
	Imports		2.8	0.3	1.6	0.1	0.8
	Balance		-2.1	-0.2	-1.2	0.0	-0.7

Source: International Monetary Fund, Balance of Payments Statistics Yearbook, Part 2, 1993.

Table II.9

Share of developing regions in world commercial services exports, 1992

(percentages)

	World	DEVELOPING REGIONS				
		Total	Africa	Asia	Middle East	Latin America & Caribbean
TOTAL	100	18.1	1.6	10.0	2.4	4.0
TRANSPORT	100	19.4	1.9	11.0	2.8	3.7
TRAVEL	100	21.2	2.0	11.2	2.0	6.0
OTHER PRIVATE SERVICES & INCOME	100	15.5	1.5	8.7	2.4	2.9
- LABOUR INCOME	100	37.1	7.7	23.2	2.1	4.1
- PROPERTY INCOME	100	1.9	0.3	1.1	0.3	0.3

Source: International Monetary Fund, Balance of payments statistics Yearbook, Part 2, 1993.

Table II.10

Labour Services Net Earnings and Merchandise Exports for Labour Services Exporting countries, 1992

(millions of US dollars)

Country	Labour service net earnings	Merchandise exports	Labour earnings as per cent of merchandise exports
LATIN AMERICA			
Colombia	573	7 263	7.9
Dominican Republic	347	566	61.2
El Salvador (1991)	470	588	80.0
Guatemala	211	1 284	16.4
Haiti (1991)	86	163	52.9
Jamaica	173	1 053	16.5
Mexico	2 625	27 516	9.5
Paraguay (1991)	42	1 117	3.8
AFRICA			
Algeria (1991)	211	12 330	1.7
Egypt	5 889	3 400	173.2
Morocco	2 141	3 956	54.1
Tunisia	562	4 033	13.9
Benin	99	369	26.8
Mali	91	339	26.7
Senegal (1991)	32	903	3.5
ASIA			
Bangladesh	912	2 098	43.5
India	.	.	.
Pakistan	1 565	6 877	22.8
Sri Lanka	548	2 301	23.8
Philippines	2 530	9 824	25.8
Turkey	3 008	14 891	20.2
China	844	69 568	1.2
Jordan	758	1 219	62.2

Source: International Monetary Fund, Balance of Payments Statistics, April 1993.

Note: Labour service balance includes labour income, migrant transfers and workers' remittances.

Chapter III

TRADE LIBERALIZATION RESULTS OF THE URUGUAY ROUND: A PRELIMINARY ASSESSMENT

39. As has been shown in the preceding chapter, developed market-economy countries are not the only markets for the exports of developing countries but they are the most important. Among the DMECs, the so-called Quad countries (European Union, United States, Japan and Canada) account for more than 90 per cent of the imports of DMECs. For this reason, as well as data limitations as was explained in the Introduction, this chapter will concentrate mainly on the market access concessions of the Quad countries.

40. An evaluation of the results of the Uruguay Round requires not only an assessment of the outcome of the negotiations in the area of tariff and non-tariff measures, but also those related to the strengthening of disciplines affecting market access. Section A focuses on market access for goods and analyses: the tariff reductions achieved in the markets of Quad countries; the post Uruguay Round tariff profiles in these markets in terms of tariff peaks and escalation; the impact of the results on GSP margins; the possible impact of the improvements in market access on trade flows, in particular those of the developing countries; and the outcome regarding non-tariff measures. Since quantitative restrictions and other NTMs have been particularly prevalent in the agriculture and textiles and clothing sectors, this section also looks at the specific agreements on these sectors. Section B analyses, from the perspective of developing countries, the market access implications of the agreement on services.

A. Market access for goods

1. Tariff reductions

41. This analysis attempts to identify areas of improved market opportunities in sectors and products of export interest to developing countries. Prior to the Uruguay Round, 70 per cent of imports from developing countries into DMECs were subject to (statutory) MFN duties, with imports in the textile sector and those in the leather and footwear sector being almost entirely subject to such duties (99 per cent and 95 per cent, respectively). Dutiable imports from developing countries represented about 30 per cent of dutiable imports from all origins. Table III.1 provides information on the MFN duty coverage of imports from developing countries into the Quad countries where imports account for around 93 per cent of total imports from developing countries by DMECs. As will be noticed, the proportion of MFN dutiable imports of all items (excluding fuels), pre-Uruguay Round, varies from 74 per cent in the case of Canada to 88 per cent in the case of the United States. Substantial proportions of dutiable imports of products in sectors of export interest to developing countries faced high pre-Uruguay Round tariffs in excess of 10 per cent, in particular textiles and clothing, where over 75 per cent of imports in this sector faced high duties in all four markets; leather and footwear, with 99 per cent in Canada, 84 per cent in Japan, and 42 per cent in the United States; agriculture specially in the European Union and Japan; tropical agricultural products in Japan and European Union; tropical (non-agricultural) products in Canada; and natural-resource based products in the European Union. It would be noted that preferential rates, as under the GSP, much lower than MFN rates were applied to some products of export interests to developing countries.

42. As will also be noted from table III.1, the Uruguay Round results have reduced the proportion of imports into the four markets which are subject to MFN duties and to high tariffs. The proportion of non-fuel imports from developing countries that would enter MFN duty-free into the United States market more than tripled to 37 per cent, nearly doubled in the case of Japan, to stand at 48 per cent, and rose by half or more in the European Union and Canada, to stand at 36

Table III.1

Pre- and post-Uruguay Round MFN duty coverage of imports by Quad Countries in 1988

(Percentages of total imports)

Importing market	From all sources			From developing countries										
	Total (US$m.)	Duty-free		Total (US$m.)	Duty-free		duty ≥ 10.0%		10.0%-14.9%		15.0%-19.9%		duty ≥ 20%	
		pre-UR	post-UR		pre-UR	post-UR	pre-UR	post-UR	pre-UR	post-UR	pre-UR	post-UR	pre-UR	post-UR
Agricultural products (non tropical)														
Canada	4548	44	47	521	55	56	37	12	24	8	6	1	7	2
European Union	29205	48	53	12120	47	49	40	37	5	9	11	11	24	17
Japan	20978	43	44	3732	36	37	42	30	10	15	11	2	21	15
United States	15086	18	33	4489	13	20	32	25	9	11	7	1	16	13
Tropical agricultural products														
Canada	1182	68	74	664	84	87	7	2	5	2	2	0	0	0
European Union	15305	12	50	13397	10	54	42	33	9	3	3	19	31	11
Japan	4120	39	41	2327	51	52	36	30	2	1	3	7	11	22
United States	7081	58	73	6205	62	77	5	4	2	3	3	0	0	0
Tropical products, non agricultural														
Canada	1654	12	13	331	41	44	45	3	22	1	20	3	3	0
European Union	7802	35	57	4633	57	68	12	0	12	0	0	0	0	0
Japan	5352	62	78	3919	60	73	24	4	7	4	12	0	5	0
United States	8360	18	53	4146	31	71	2	0	1	0	1	0	0	0
Natural resource-based products														
Canada	5388	55	55	738	61	62	19	0	19	0	0	0	0	0
European Union	41321	54	58	11933	48	51	27	31	7	10	10	12	10	8
Japan	32714	35	57	13056	29	45	13	2	7	1	6	0	0	0
United States	30113	60	67	9399	44	51	3	3	3	3	0	0	0	0
Textiles and clothing														
Canada	4015	2	3	1655	1	1	98	88	11	17	3	70	82	0
European Union	26794	0	0	16569	0	0	80	69	80	69	0	0	0	0
Japan	10190	3	4	5334	2	2	75	33	55	32	20	0	0	0
United States	28780	0	3	20076	0	1	75	71	7	7	27	17	42	27
Leather and footwear														
Canada	933	1	3	417	0	0	99	78	21	14	0	63	78	1
European Union	5088	10	11	3583	8	8	24	24	0	0	0	24	24	0
Japan	1472	10	14	1007	10	13	84	28	57	2	1	1	26	25
United States	9525	1	7	6789	1	6	42	41	36	35	0	0	6	6
Other industrial products														
Canada	86626	23	40	6450	29	54	31	3	26	2	4	1	1	0
European Union	295474	28	45	72385	50	57	10	5	9	5	1	0	0	0
Japan	110072	29	66	47828	9	44	4	3	3	2	0	0	2	2
United States	350222	11	38	109946	6	32	3	2	2	1	0	1	1	0
All sectors (excluding fuels)														
Canada	104607	23	38	10162	26	43	45	20	23	5	4	15	18	0
European Union	379671	24	40	106626	24	36	33	26	22	17	3	5	8	4
Japan	159399	36	62	53675	25	48	22	11	12	6	5	1	5	4
United States	413065	15	40	132937	12	37	18	15	5	4	5	6	8	5

Source: UNCTAD Trade Control Measures Information System

per cent and 43 per cent, respectively. The proportion of imports facing tariffs in excess of 10 per cent is reduced at least by half in Japan and Canada. The sectors with the highest proportion of high tariffs remain, however, textiles and clothing, leather and footwear, and agriculture in all four (Quad) markets with, in addition, natural resource-based products (particularly fish and fishery products) in the European Union.

43. Table III.2 provides information on reductions in trade-weighted MFN tariff averages in the Quad countries. Overall, reduction in average MFN tariffs (trade-weighted) on all items (excluding fuels) imported from developing countries range from 28.3 per cent (United States) and 29.8 per cent (European Union) to 36.5 per cent (Japan) and 40.5 per cent (Canada). It should be noted that, with some exceptions for Japan and Canada, reductions in trade-weighted MFN tariff cuts for developing countries are, in general, lower than those on imports from all sources. In fact, given the higher level of pre-Uruguay Round overall trade-weighted MFN tariffs facing imports from developing countries in the markets of the Quad countries (Japan again being the exception), this leaves post-Uruguay Round rates facing imports from developing countries higher than those facing imports from all sources. When GSP rates applicable to developing countries in the four markets are taken into account, trade-weighted tariff averages on imports from developing countries go down significantly; however, so also does the overall extent of tariff reductions on imports from developing countries. This results in post-Uruguay Round trade-weighted tariffs on imports by Canada and the United States from developing countries being higher than on imports from all sources even when the GSP is taken into account.

44. The overall reduction of tariff averages conceals substantial divergences with respect to specific product categories in all of the markets. Focusing on the lowest rates applicable to imports from developing countries in each market (i.e., the combination of GSP rate - where applicable - and MFN rates, otherwise), it will be noted that, in general, post-Uruguay Round trade-weighted tariffs averages remain substantially higher on agricultural products (whether tropical or not), textiles and clothing, and leather and footwear - i.e. product sectors for which developing countries have substantial export interest - in comparison with the overall tariff averages of each market.

45. In the tropical products category, roots, rice, tobacco, nuts and fruits deviate the most in Japan and the European Union from the overall tariff averages in those markets. For other agricultural products, dairy products in all markets, and meat, cereals and fruits and vegetables in Japan and the European Union, are the most deviant cases. In natural resource-based products, the particular deviant case is that of fish and fishery products in the European Union. As for manufactures, while this sector on the whole shows the greatest improvements of all sectors, certain areas of particular export interest to developing counties remain relatively harder hit in various markets. This is particularly true not only for textiles, clothing, and leather and footwear manufactures, transport equipment, boats and ships and some miscellaneous manufactures in Canada, certain electrical products and chemicals in the United States, and certain chemicals in the European Union.[8]

46. Tariff escalation in the Quad markets is analyzed in table III.3 based on trade-weighted (by imports from developing countries) average tariffs, on products of export interest to developing countries. As the table shows, when tariffs are examined by stage of processing, progress can be noted in some or all of the markets for some products. For example, this is true for paper and paperboard in all the markets, tea in Canada and jute products in the United States. However, although the overall level of tariffs may have come down, in some cases the effective rate of protection may have gone up.

2. Erosion of GSP margins

47. An analysis of the average loss in GSP margins implied by the MFN tariff

Table III.2

Reduction in trade-weighted tariff averages [a] for imports by Quad countries in 1988

(percentages)

Importing market	Imports from all sources				Imports from developing countries						
	Value	MFN tariff averages		Reduction	Value	MFN tariff averages		Reduction	MFN/GSP [b] tariff averages		Reduction
	($millions)	Pre-UR	Post-UR	(%)	($millions)	Pre-UR	Post-UR	(%)	Pre-UR	Post-UR	(%)
Agricultural products (non-tropical)											
Canada	4548.1	12.5	7.8	38.0	530.7	7.6	4.9	34.9	5.5	3.8	31.3
European Union	29204.8	21.9	14.9	32.2	12119.8	23.5	16.8	28.4	22.8	16.6	27.3
Japan	20978.1	41.3	31.8	23.0	3731.6	19.5	14.9	23.4	18.2	14.5	20.5
United States	15086.1	6.9	5.3	24.1	4489.0	9.1	7.0	23.5	6.0	4.9	19.2
Tropical agricultural products											
Canada	1181.5	2.2	1.2	43.5	664.4	1.2	0.6	45.5	0.6	0.3	47.7
European Union	15505.0	17.8	10.5	41.0	13391.4	17.4	10.0	42.6	15.2	9.4	37.9
Japan	4119.9	16.1	11.2	30.6	2311.0	17.4	10.9	37.2	9.9	8.4	15.6
United States	7081.0	2.4	1.4	40.0	6200.3	2.1	1.2	41.1	1.5	0.8	42.8
Tropical products, non agricultural											
Canada	1654.3	10.1	5.9	41.4	331.0	7.2	3.6	50.1	4.7	3.5	25.5
European Union	7801.6	4.0	1.9	52.3	4633.1	3.0	1.5	48.6	0.0	0.0	.
Japan	5351.9	3.8	1.6	59.1	3918.5	4.5	1.9	57.1	3.0	1.5	48.7
United States	8360.5	3.4	1.9	46.3	4146.4	3.2	1.4	55.4	0.9	0.7	17.9
Natural resource-based products											
Canada	5387.9	3.3	1.8	45.4	738.0	3.3	1.9	41.8	2.4	1.7	29.2
European Union	41320.7	4.2	3.3	21.8	11932.8	6.0	4.8	18.9	3.4	3.2	6.7
Japan	32713.7	3.0	1.7	44.1	13055.9	3.8	2.2	43.1	2.3	1.6	29.8
United States	30113.3	1.5	1.1	27.0	9398.7	2.6	2.0	22.5	0.6	0.5	13.8
Textiles and clothing											
Canada	4015.1	20.8	13.9	33.2	1655.4	22.1	15.6	29.6	21.4	15.4	28.1
European Union	26793.5	11.3	9.4	17.4	16569.4	11.9	10.1	14.9	0.0	0.0	.
Japan	10190.2	11.5	7.8	32.6	5334.3	11.7	7.9	32.3	5.2	5.0	3.5
United States	28779.7	17.1	14.9	12.5	20076.2	18.7	16.9	9.9	18.5	16.7	9.7
Leather and footwear											
Canada	932.8	17.9	12.8	28.5	416.5	19.8	15.0	24.3	18.3	14.5	20.8
European Union	5087.7	8.6	7.3	14.9	3582.8	9.1	7.8	14.7	0.2	0.1	26.9
Japan	1471.9	14.8	13.0	12.4	1007.3	13.3	11.5	13.3	8.4	7.5	10.2
United States	9524.7	9.7	9.1	5.9	6789.3	9.6	9.1	5.2	9.2	8.9	2.9
Other industrial items											
Canada	86626.0	7.2	3.7	48.2	6450.1	6.8	3.1	54.9	4.0	2.7	33.1
European Union	295474.1	4.7	2.5	47.4	72385.2	3.5	2.0	41.7	0.3	0.2	44.6
Japan	110071.7	3.3	1.5	55.8	47828.1	3.9	2.3	40.9	2.8	1.9	31.3
United States	350222.4	3.8	2.3	41.9	109945.7	3.3	1.7	48.5	1.5	0.8	42.9
All sectors (excluding fuels)											
Canada	104607.4	8.0	4.4	45.3	10162.1	12.4	7.4	40.5	7.5	5.3	29.3
European Union	379670.7	7.5	4.6	38.2	106626.1	9.8	6.9	29.8	5.1	3.5	30.3
Japan	159399.4	9.3	6.2	33.3	53674.5	7.4	4.7	36.5	4.3	3.4	22.6
United States	413064.6	5.1	3.4	32.7	132937.1	7.6	5.5	28.3	4.7	3.8	18.8

Source: UNCTAD Trade Control Measures Information System

a Including duty free imports.
b MFN or GSP rate, whichever is the lowest applicable rate to imports from developing countries.

Table III.3

Escalation by stages of processing of MFN tariffs (weighted averages) on imports from DCs*

(Averages in per cent equivalent ad-valorem)

Product	Canada			European Union			Japan			United States		
	Pre-UR	Post-UR	Reduction (%)	Pre-UR	Post-UR	Reduction (%)	Pre-UR	Post-UR	Reduction (%)	Pre-UR	Post-UR	Reduction (%)
Coffee												
- raw	0.0	0.0	-	3.0	0.0	100.0	0.0	0.0	-	0.0	0.0	-
- roasted, ground	0.8	0.5	37.5	15.1	7.4	51.0	n.a.	n.a.	-	0.0	0.0	-
- extracts, prep.	2.5	1.6	36.0	18.0	9.0	50.0	22.9	14.1	38.6	0.0	0.0	-
Tea												
- in bulk	5.5	0.0	100.0	0.0	0.0	-	11.2	8.8	21.5	0.0	0.0	-
- for retail sale	2.0	0.0	100.0	5.0	0.2	96.1	20.0	13.9	30.6	0.0	0.0	-
- extract, prep.	2.0	0.0	100.0	12.0	6.0	50.0	20.0	10.0	50.0	5.3	4.8	10.0
Cocoa												
- beans	0.0	0.0	-	3.0	0.0	100.0	0.0	0.0	-	0.0	0.0	-
- paste	0.0	0.0	-	15.0	9.6	36.0	10.0	5.0	50.0	0.0	0.0	-
- butter	0.0	0.0	-	12.0	7.7	35.8	2.5	0.0	100.0	0.0	0.0	-
- powder	10.0	6.4	36.0	16.0	8.0	50.0	21.5	12.9	40.0	0.7	0.4	42.9
- chocolate	50.4	30.0	40.5	12.5	10.0	20.0	32.7	26.4	19.3	19.5	17.0	13.0
Spices												
- unground	0.2	0.1	36.0	9.5	1.0	89.1	6.2	3.7	40.7	0.1	0.1	42.0
- processed	1.1	0.7	36.0	11.7	4.3	63.0	1.9	0.1	97.6	3.8	1.4	62.6
Vegetable plaiting materials												
- raw	0.0	0.0	-	0.0	0.0	-	5.9	4.8	18.6	2.2	1.4	35.6
- plaits, etc.	8.9	5.5	39.0	4.3	2.2	47.8	5.2	3.6	30.3	7.0	3.3	52.5
- basketwork, etc.	11.3	7.4	34.7	6.2	3.9	36.9	11.4	7.5	34.9	7.1	3.1	56.9
Oilseeds, vegetable oils												
- oilseeds	0.0	0.0	-	0.0	0.0	-	0.0	0.0	15.0	0.6	0.5	21.8
- vegetable oils	12.5	8.0	36.0	17.1	12.4	27.7	8.5	4.5	47.2	1.9	0.4	81.1
Tobacco												
- unmanufactured	6.9	4.5	35.3	20.4	16.3	20.0	0.0	0.0	-	11.2	7.7	31.1
- manufactured	22.8	14.6	36.0	79.5	31.7	60.2	13.5	11.2	16.9	7.5	3.4	54.5
Manioc, roots, tubers												
- fresh, dried	0.1	0.0	93.0	87.9	56.2	36.0	2.4	1.4	39.9	10.5	5.8	44.4
- flour, meals	6.0	2.4	60.0	19.8	12.7	36.0	24.9	18.8	25.3	3.3	2.1	36.1
- starches	6.2	5.0	18.6	100.0	64.3	36.0	589.0	500.6	15.0	0.1	0.0	36.0
Tropical fruits												
- fresh, dried	0.0	0.0	-	9.2	5.1	44.2	16.9	13.8	18.2	6.7	5.3	21.5
- preserved	0.0	0.0	-	23.2	18.6	20.0	41.5	25.5	38.6	3.0	2.3	24.9
- prepared; juices	-	-	-	21.0	16.8	20.0	33.2	21.3	35.8	0.7	0.3	57.1
Tropical nuts												
- unshelled, crude	0.0	0.0	36.0	2.8	2.0	27.7	6.3	1.1	82.5	0.2	0.1	21.0
- prepared	6.3	4.0	36.0	14.1	9.3	34.2	26.1	18.1	30.6	19.7	14.6	25.9

Table III.3 (Cont'd)

Escalation by stages of processing of MFN tariffs (weighted averages) on imports from DCs[a]

(Averages in per cent equivalent ad-valorem)

Product	Canada			European Union			Japan			United States		
	Pre-UR	Post-UR	Reduction %	Pre-UR	Post-UR	Reduction %	Pre-UR	Post-UR	Reduction %	Pre-UR	Post-UR	Reduction %
Tropical wood												
- in the rough	0.0	0.0	-	0.0	0.0	-	0.0	0.0	30.0	0.0	0.0	-
- simply worked	0.0	0.0	-	0.1	0.0	97.0	4.8	2.8	41.6	0.0	0.0	-
- veneers, plywood	6.0	4.0	33.6	9.0	5.9	34.0	16.5	8.1	51.0	6.0	5.3	11.4
- articles	9.8	5.1	47.7	5.5	0.2	97.0	4.7	2.6	45.6	5.4	2.8	48.8
Rubber												
- natural rubber	0.0	0.0	34.0	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
- simple manufactures	13.4	8.7	34.9	6.3	3.7	40.2	4.6	0.5	88.8	4.1	2.8	36.8
- tyres	10.4	5.6	46.3	5.8	4.2	26.8	2.6	0.0	100.0	4.4	3.1	29.7
- other articles	17.8	11.4	36.3	4.9	2.4	51.2	3.8	0.0	100.0	4.0	1.7	57.5
Jute												
- raw	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
- processed	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
- yarns	14.6	8.8	39.5	5.3	0.0	100.0	10.0	0.0	100.0	3.7	0.0	100.0
- articles	0.4	0.2	37.4	9.0	4.0	55.6	20.0	19.0	50.0	0.0	0.0	-
- twine, cordage	73.5	10.0	25.9	12.0	6.0	50.0	10.0	0.0	100.0	4.0	0.0	100.0
Fishery												
- unprocessed	2.1	1.4	33.7	14.8	11.8	20.3	5.0	3.2	36.8	0.1	0.1	32.4
- semi + processed	8.6	5.6	34.5	15.9	15.0	6.0	12.6	8.1	35.4	7.2	6.5	9.5
Forestry												
- raw material	0.1	0.1	34.3	0.0	0.0	-	0.2	0.0	97.5	0.0	0.0	-
- semi-manufactured	5.3	3.5	34.3	3.5	2.3	36.1	9.7	4.7	51.3	4.7	3.7	20.9
- finished products	9.8	5.1	47.7	5.5	0.3	94.9	4.7	2.6	45.8	5.4	2.8	48.8
Hides & skins												
- raw materials	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
- leather	9.9	6.5	34.3	4.1	3.4	15.5	9.7	4.1	57.7	3.8	3.0	21.0
- articles (excl. footwear	18.7	11.6	38.2	6.7	4.2	37.2	11.8;	9.6	19.0	10.2	9.4	8.5
Paper & paperboard												
- semi-manufactured	6.3	0.0	100.0	8.2	0.0	100.0	5.3	0.0	100.0	1.4	0.0	100.0
- finished products	10.5	0.0	100.0	10.7	0.0	100.0	4.2	0.0	100.0	4.6	0.0	100.0
Iron & steel												
- raw materials	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
- semi-manufactured	5.1	0.4	91.9	3.9	0.5	87.4	5.0	0.5	90.80	3.7	0.4	88.3
- finished products	9.9	5.6	43.0	5.6	2.7	51.0	5.0	0.3	93.0	3.9	2.2	44.4

Source: UNCTAD Trade Control Measures Information System.

[a]Averages were computed using 1988 weights.

reductions in the Quad markets is given in table III.4. As will be noticed, on a trade-weighted basis using imports from developing countries of GSP covered products, there is an overall loss in preference margins for all GSP-covered products of about 82 per cent in Canada, 61 per cent in Japan, 50 per cent in the United States, and 32 per cent in the European Union. On a sectoral basis, the highest percentage loss in preference margins occurs for tropical agricultural products in the case of the European Union (74.0 per cent), and for tropical non-agricultural products in the cases of Canada (95.6 per cent), Japan (72.9 per cent) and the United States (70.5 per cent). As should be apparent, sectors in which GSP margins were eroded the least are those in which MFN tariffs were cut the least on GSP-covered items.

3. Estimated trade effects of tariff reductions

48. The UNCTAD Trade Policy Simulation Model[9] has been used to estimate the possible trade effects of the tariff concessions by Quad countries, particularly on developing countries. Table III.5 gives estimates of the additional imports, from the world and from developing countries, for all items (excluding fuels) and selected sectors, which are possible as a result of the tariff reductions in each of the Quad markets.

49. Overall, imports by the four markets of non-fuel merchandise are likely to rise by US$28.5 billion which is equivalent to 4.6 per cent of the dutiable imports by these markets from the world in 1988. Imports rise in absolute terms by the largest amount in the United States (US$12.4 billion), followed by European Union (US$8.9 billion), Japan (US$4.9 billion), and Canada (US$2.2. billion). The rise in imports in proportionate terms is the largest in the case of Canada (8.8 per cent). Sectorally, the category "other industrial items" contributes overwhelmingly to the overall increase in imports in all four markets.

50. As regards additional imports from developing countries, table III.5 shows that overall these would amount to about US$7.1 billion or 3.1 per cent of the value of dutiable imports from developing countries in 1988. The effect on imports from developing countries is estimated on a net basis taking into account trade creation (induced increases in imports from some developing countries for some product lines) and trade diversion (representing induced decreases in imports from some developing countries for some tariff lines owing, in a number of cases, to reduced preferential margins). The trade diversion effect for developing countries is greatest in the case of the European Union market.

51. Sectorally, additional imports from developing countries come mainly from "other industrial items" as in the overall case. Textiles and clothing constitute the other major contributing sector. However, it should be noted that the estimates for the textiles and clothing sector are limited only to tariffs and do not take into account the impact of the phase-out of the MFA on trade flows.

52. Regarding these quantitative estimates of the trade impact of the tariff reductions, several observations are in order. First, these estimates take into account only reductions in tariffs and do not take into account changes in NTMs which are discussed below. Secondly, these estimates are computed in 1988 dollars using 1988 trade as the base. Thus when these are converted in current dollars, the figure would undergo an upward revision. Thirdly, owing to data limitations, only the Quad countries have been covered in the present analysis. When all markets, including the markets of developing countries, are taken into account, the trade expansion effects are likely to be much larger. Fourthly, we have used a methodology based on a static, partial equilibrium framework. When dynamic effects along with the effects of "general equilibrium" aspects of economic interaction are included, the overall impact could be much larger, particularly in the longer-term. These observations suggest that the estimates given above in relation to the Quad markets need to be considered as partial

Table III.4

Erosion of GSP margins

(Percentages)

		Canada				European Union			
		Preferential margin		Margin loss	Erosion %	Preferential margin		Margin loss	Erosion %
		PRE UR	POST UR			PRE UR	POST UR		
All GSP items	simple	5.61	1.46	4.15	74.0	7.17	4.29	3.08	43.0
	weighted	5.01	0.91	4.12	81.9	8.47	5.70	2.77	32.7
Agriculture non tropical	simple	12.81	6.27	6.54	51.1	8.36	4.17	4.19	50.1
	weighted	19.42	10.71	8.71	44.9	6.02	1.89	4.13	68.6
Agriculture tropical	simple	6.83	3.37	3.46	50.7	8.01	2.82	5.21	64.9
	weighted	5.70	3.22	2.48	43.5	4.27	1.11	3.16	74.0
Tropical non agriculture	simple	4.56	0.62	3.92	86.3	5.92	2.61	3.31	55.9
	weighted	4.28	0.19	4.09	95.6	6.92	3.56	3.36	48.6
NMRP	simple	4.17	0.96	3.21	77.0	6.95	4.62	2.33	33.5
	weighted	3.82	0.79	3.03	79.3	8.30	5.38	2.92	35.2
Textiles	simple	7.01	1.45	5.56	79.3	10.57	8.24	2.33	22.0
	weighted	7.48	2.14	5.34	71.4	11.94	10.15	1.79	15.0
Manufactured leather and footwear	simple	6.36	3.41	2.95	46.4	9.59	8.00	1.59	16.6
	weighted	5.39	1.82	3.57	66.2	10.36	8.86	1.50	14.5
Other industrial products	simple	5.29	1.24	4.05	76.6	6.39	3.11	3.28	51.3
	weighted	4.78	0.68	4.10	85.8	7.44	4.30	3.14	42.2

		Japan				USA			
		Preferential margin		Margin loss	Erosion %	Preferential margin		Margin loss	Erosion %
		PRE UR	POST UR			PRE UR	POST UR		
All GSP items	simple	6.73	2.68	4.05	60.2	5.33	2.80	2.53	47.5
	weighted	6.73	2.61	4.12	61.2	4.87	2.44	2.43	49.9
Agriculture Non tropical	simple	19.62	8.73	10.89	55.5	7.30	4.46	2.84	38.9
	weighted	15.77	5.59	10.18	64.6	7.41	5.04	2.37	32.0
Tropical agriculture	simple	7.36	2.29	5.07	68.9	8.18	4.89	3.29	40.2
	weighted	21.18	7.23	13.95	65.9	7.17	4.71	2.46	34.3
Tropical non agriculture	simple	6.84	1.94	4.90	71.6	4.88	1.90	2.98	61.1
	weighted	6.53	1.77	4.76	72.9	3.97	1.17	2.80	70.5
NMRP	simple	6.38	2.91	3.47	54.4	4.39	2.96	1.43	32.6
	weighted	4.25	1.58	2.67	62.8	4.25	3.19	1.06	24.9
Textiles	simple	8.10	3.99	4.11	50.7	5.82	2.28	3.54	60.8
	weighted	7.98	3.59	4.39	55.0	4.84	3.21	1.63	33.7
Manufactured leather and footwear	simple	15.18	8.75	6.43	42.2	4.33	2.48	1.85	42.7
	weighted	9.07	7.38	1.69	18.6	4.13	2.11	2.02	48.9
Other industrial products	simple	5.23	1.59	3.64	69.6	5.19	2.60	2.59	49.9
	weighted	5.70	1.97	3.73	65.4	4.85	2.27	2.58	53.2

Table III.5

Trade effects of Uruguay Round tariff reductions

(millions of US dollars and percentages)

	World		Developing countries			
	Total effects		Total effects		Trade creation	Trade Diversion
	Value	%	Value	%	Value	Value
Agriculture non-tropical						
Canada	45.2	5.1	16.7	9.8	7.8	8.9
European Union	702.2	5.6	264.7	5.0	266.5	-1.8
Japan	705.4	5.9	63.4	2.7	74.5	-11.1
USA	157.9	1.6	34.4	1.0	41.9	-7.5
Total	1 610.7	4.6	379.2	3.4	390.7	-11.5
Tropical Agriculture						
Canada	3.1	2.1	1.2	1.9	0.9	0.3
European Union	343.5	5.0	239.2	44.0	277.8	-38.7
Japan	70.6	2.6	19.3	1.7	22.2	-3.0
USA	26.8	1.4	16.2	1.1	18.7	-2.5
Total	444.0	3.9	275.9	3.4	319.6	-43.9
Tropical Non-Agriculture						
Canada	94.4	16.7	22.1	12.2	20.1	2.0
European Union	283.5	7.7	98.7	5.2	93.9	4.8
Japan	137.1	6.8	74.0	4.7	83.7	-9.7
USA	292.5	5.1	128.4	4.6	136.8	-8.5
Total	807.5	6.7	323.2	5.0	334.5	-11.4
Natural Resource-Based Products						
Canada	19.5	3.3	9.8	3.8	6.9	3.0
European Union	158.5	1.7	43.1	0.9	49.2	-6.1
Japan	387.8	1.8	53.3	0.6	107.4	-54.1
USA	76.5	0.9	28.3	0.5	32.2	-4.0
Total	642.3	1.6	134.5	0.7	195.7	-61.2
Textiles						
Canada	358.5	14.2	218.9	15.4	210.5	8.4
European Union	358.7	1.7	218.3	1.4	213.2	5.1
Japan	131.4	1.33	-27.6	-0.5	12.1	-39.8
USA	1 385.6	5.3	905.1	5.0	910.7	-5.6
Total	2 234.2	3.7	1 314.7	3.2	1 346.5	-31.9
Leather and Footwear						
Canada	131.9	17.0	54.7	133.7	55.3	-0.6
European Union	90.6	2.3	70.9	2.2	69.4	1.5
Japan	59.9	4.5	31.6	3.5	33.7	-2.2
USA	162.9	1.8	86.7	1.3	89.7	-3.0
Total	445.3	3.0	243.9	2.2	248.1	-4.3
Other Industrial Items						
Canada	1 550.6	8.5	334.6	8.0	284.4	50.2
European Union	7 056.8	4.8	645.1	1.8	924.8	-279.8
Japan	3 889.7	5.0	791.6	1.8	950.8	-159.2
USA	10 291.0	4.0	3 131.8	3.1	3 251.7	-119.8
Total	22 788.1	4.6	4 903.1	2.7	5 411.7	-508.6
All items excluding oil						
Canada	2 205.2	8.8	658.8	9.8	586.4	72.4
European Union	8 934.9	4.5	1 565.5	2.2	1 880.1	-314.5
Japan	4 922.9	4.9	569.5	1.4	848.5	-279.0
USA	12 395.3	4.1	4 330.8	3.9	4 481.6	-150.8
Total	28 458.3	4.6	7 124.6	3.1	7 796.6	-671.9

Source: UNCTAD Trade Control Measures Information System.

estimates of the potential trade expansion owing to the Uruguay Round agreements. Finally, there is yet another important issue. The analysis presented here is in aggregate terms, i.e. the estimates of trade benefits are for developing countries as a group and there is no dissaggregrated analysis in terms of regions (e.g. developing countries in Africa) or in terms of categories of countries, such as the least-developed countries, because of the lack of adequate data on updated estimates of relevant supply and demand elasticities and the time constraint. This limitation is of considerable importance as the gains may be unevenly distributed among countries and among product categories, particularly in the short- and medium-term framework. These considerations indicate the further areas of work needed to be done in order to understand fully the impact of the Uruguay Round on market access and on growth in world trade. It is expected that such an analysis will be one of the priorities of the new Ad Hoc Working Group on Trading Opportunities in the New International Trading Context.

4. Non-tariff measures

53. The most significant non-tariff measures affecting access to markets are quantitative restrictions. These take various forms in different countries. In the Quad countries, in addition to quotas applied under the MFA (Japan excepted) and in the agricultural sector, these have operated mainly as grey-area measures such as export restraints arrangements including voluntary export restraints, orderly marketing arrangements, export fare costs, basic price systems, industry-to-industry arrangements, discriminatory import systems, and prior import surveillance. For example, in the United States, such measures have covered iron and steel products, automobile and road transport equipment, machine tools, electronic products, footwear, textiles and clothing (outside the MFA) and other miscellaneous products. In the European Union such measures have also covered iron and steel products, footwear, machine tools, road motor vehicles, machinery, electrical and electronic household equipment, textiles (outside the MFA) and other miscellaneous products.

54. The results of the Uruguay Round did not yield a reduction of specific non-tariff measures on a tariff line basis, as in the case of tariffs. However, as was indicated earlier in chapter I, the Agreement on Safeguards prohibits grey-area measures. In addition, as also indicated earlier, the Agreement on agriculture, which provides for the tariffication of NTMs in the agricultural sector, and the agreement on textiles and clothing, which calls for the phase-out of the MFA, will embody major action on NTMs in these sector. Other Uruguay Round agreements, such as on technical barriers to trade and on import licensing should also contribute to greater transparency and the eventual phase-out of NTMs.

5. Implications of specific sectoral commitments

Agriculture

55. As was mentioned in the overview (chapter I), the agreement on agriculture involves commitments on "tariffication" (the replacement in effect of existing NTMs by tariff quotas) and on reductions, by specified percentages from notified base levels in order to reduce agricultural tariffs and tariff equivalents (after tariffication), domestic support to the agricultural sector (based on an aggregate measure of support - AMS), and export agricultural subsidies (in terms of both budgetary outlays and quantities subsidized).

56. A review of the schedules of Quad countries to implement these commitments indicates the following:

(i) Tariff quotas

57. In Canada, tariff quotas will apply to meat, dairy, and wheat and barley products. Except for wheat and barley products, there is no, or only a small,

difference between initial and final quota quantities. The quotas for milk products and butter are bilateral ones.

58. European Union tariff quotas apply to meat, dairy, sugar, roots, citrus fruits, bananas, maize and wheat products and are broken down into current access quotas (for which there are no differences between initial and final quota quantities), and minimum access quotas (for which in many cases there is a substantial increase in final, in comparison with initial, quotas). Except for maize, minimum access quotas are all global ones. Current access quotas for bovine meat, lamb, dairy products and sugar are bilateral ones.

59. In Japan, tariff quotas cover dairy products wheat, barley, rice, groundnut, tubers of Konnyaku and silk worms. There is a substantial increase between initial and final quotas for some dairy products (whey), rice, groundnuts and a modest increase for wheat and barley. All quotas are global.

60. In the United States, tariff quotas cover meat, dairy products, cocoa powder, chocolate, and cotton. All quotas are final. Meat, cheese, chocolate and cotton quotas are for the most part bilateral ones.

(ii) Domestic support

61. The schedule of reductions in total AMS for Quad countries between 1995 and 1995 is shown in table III.6. Total base level AMS for the four countries are US$143.2 billion. This total will be reduced to US$117.1 by the year 2000.

Table III.6

Agricultural domestic support: Total AMS reduction commitments

- Quad countries -

(billions of US dollars)

	Canada	EU	Japan	USA	Total Quad
Base total AMS	4.1	81.4	33.8	23.9	143.2
1995	3.9	79.1	32.6	23.1	138.7
1996	3.8	76.8	31.5	22.3	134.4
1997	3.7	74.5	30.4	21.5	130.1
1998	3.5	72.3	29.3	20.7	125.8
1999	3.4	70.0	28.1	19.9	121.4
2000	3.3	67.7	27.0	19.1	117.1

Source: Part IV of Schedules of concessions annexed to the Marrakesh Protocol.

(iii) Export subsidies

62. The schedule of reductions in budget outlays and quantities subsidized has also been indicated for the Quad countries. In all markets, budgetary outlays and quantities will not be reduced from base levels to zero by the year 2000. It is to be noted that in a number of cases budgetary outlays and quantities subsidized are scheduled to rise initially and to begin to fall below base levels only in 1997.

63. As a preliminary conclusion, in the absence of quantitative estimates based on econometric simulations, this review suggests that, aside from a few cases, the reductions to be carried out by Quad countries are unlikely to entail big increases in market access opportunities for the agricultural products concerned in the immediate future.

Textiles and clothing

64. As indicated earlier, the Agreement on Textiles and Clothing provides for the phase-out of MFA restrictions over a 10-year transitional period from 1 January 1995 according to a four-stage integration process. As a first step, upon the entry into force of the WTO Agreement on 1 January 1995, each member would integrate into GATT 1994 not less than 16 per cent of its total 1990 volume of imports of the products specified in the annex to the Agreement. The remaining products would be integrated into the GATT in three stages, with 17 per cent on 1 January 1998, 18 per cent on 1 January 2002, and 49 per cent on 1 January 2005. The existing annual growth rates for the respective restrictions in the bilateral agreements under the MFA would be increased at the beginning of each of the first three stages, by 16 per cent, 25 per cent and 27 per cent, respectively. For suppliers whose market share is small (1.2 per cent or less), the increases of annual growth rates will be advanced by one stage.

65. The increases of growth rates should be considered as an improvement in comparison with the MFA. Particularly, it could mean big quota increases for those countries which currently enjoy relatively higher growth rates, generally medium and small exporters. The small suppliers will also enjoy specific improvement in access (e.g. in respect of base levels, growth and flexibility provisions) under the Agreement in the case of products exported by them which are subject to restrictions, which only represent 1.2 per cent or less of the total volume of the restrictions applied by an importing member. The Agreement also includes special provisions for least-developed countries, non-MFA members, cotton producers, wool producers and the outward processing trade, but without any specific threshold.

66. However, since each importing member will select the products for integration into the GATT unilaterally, it is very difficult to anticipate which of the MFA restrictions will be phased out in the early stages. As the annex to the Agreement contains many tariff lines which are not specifically restricted under the MFA, the restricting countries can use this inflated volume to avoid integrating actually restricted product areas at the earlier stages. Therefore, for many exporting developing countries, they would not expect to benefit from meaningful trade liberalization in this sector in the immediate future.

67. Although the existing MFA restrictions will be phased out gradually, new quantitative restrictions can also be imposed by the importing countries under the special transitional safeguard provisions of the Agreement during the 10-year transitional period, to products covered by the Annex to the Agreement (other than specific handloom products, historically traded textiles products and pure silk products). Measures applied under the transitional safeguard provisions, like the MFA, can continue to be selective "on a member-by-member basis". The criterion and procedures for such actions have retained most of the elements of the so-called "market disruption" provision (Annex A) and Article 3 of the MFA. Furthermore, the MFA-type quantitative restrictions now can also be applied to non-MFA members under the transitional safeguard provisions of the Agreement.

68. Owing to the fact that all the MFA and non-MFA restrictions maintained by the members will be notified to the Textiles Monitoring Body only after the entry into force of the WTO Agreement, and that details on the products covered by the first-phase[10] of the integration process of the textile sector to GATT 1994 would only be known by 1 October 1994, it is difficult to assess the benefits for developing countries from this transitional agreement. Such assessment can only be made once the information with respect to the scope of the current

restrictions and the products which will be integrated at the first stage is available.

B. Market access for services

69. The objective of the negotiations on trade in services as stipulated in the Punta del Este Declaration and the Preamble to the GATS, is to establish a multilateral framework of principles and rules for trade in services with a view to the expansion of such trade under conditions of transparency and progressive liberalization and as a means of promoting the economic growth of all trading partners and the development of developing countries. The Agreement establishes a mechanism for the progressive removal of restrictions and liberalization of sectors.

70. By 15 December 1993, some 94 countries had submitted their schedules of specific commitments. Most of the offers were accompanied by MFN exemption lists. The offers varied widely in sectoral coverage, extent of limitations to market access and national treatment and modes of supply coverage. The degree of development of the services sector is reflected in the coverage of the sectors offered. Whereas some of the least developed countries have offered only one sector, many developing and developed countries have put forth offers covering most sectors.

71. The impact of specific commitments on market access and national treatment will be a function of the extent to which: (i) services sectors and subsectors have been included in individual schedules; (ii) all modes of supply are bound; (iii) market access and national treatment in the transactions listed are limited or qualified; (iv) economic needs test requirements are included without specifying objective criteria; and (v) they constitute exemptions to the MFN. The assessment of the impact of the commitments has to be done in the context of the existing domestic regulatory framework, taking into account whether the country concerned has introduced legislative changes to implement the commitments it has undertaken. A meaningful assessment would also require appropriate disaggregated statistical data on services trade flows through all modes of supply, cross-country cost comparisons indicating which countries have comparative advantage, and a study of the impact of the barriers to entry. What the impact of substantive liberalization in services on developing countries could be also remains uncertain, as little or no meaningful quantitative work has been done in the services area which would provide a basis for such evaluation. Given that disaggregated statistical data is not available, negotiations have not been concluded on major sectors and mode of supply, and objective criteria to weigh offers is lacking, only a very general and qualitative analysis of specific commitments can be done at this stage.

72. Most offers of both developed and developing countries provide a standstill on a wide range of sectors, although such a standstill often incorporates important qualifications and limitations, such as on the category of persons that may supply services, their nationality and residency requirements, limited equity participation exclusion of acquisitions, etc. The extent to which the commitments actually provide a rollback of restrictions can only be determined by an analysis of the legislative changes introduced by members to implement their concessions. However, even the consolidation of the status quo through the application of the MFN clause and the specific market access and national treatment commitments made in specific sectors and subsectors by guaranteeing security of access will expand trade and investment in services. Given the fact that the developing countries have a weaker services sector, their offer includes a more limited number of sectors than that of the developed countries examined. It should be noted that the developed countries have excluded some important services sectors, for example audiovisual (e.g. EU), maritime services (e.g. United States), specific subsectors in financial services and business services (e.g. Japan).

73. The mode of supply most frequently included in the Schedules of Commitments is commercial presence and movement of consumers. The mode of supply through cross-border trade has been left unbound in many offers for lack of feasibility or because commercial presence is preferred, e.g. European Union in some business services subsectors. The mode of supply of movement of natural persons has been offered in all schedules through "horizontal" concessions in the limited category of intracorporate transferee (i.e. managers, specialists, executives) and business visitors, which is linked to commercial presence, but without sectoral specificity. Few countries have offered access to additional categories of natural persons.[11] In many cases, these bindings only cover a small proportion of the various visa categories for temporary entry.[12] Movement of persons in categories other than that of managers, specialists and executives is unbound, despite the fact that the developing countries have repeatedly included this mode of delivery in their requests. Such offers could provide some advantages to few developing countries' firms, but obviously would be of greater benefit to other developed countries. These offers, in their present form, do not provide any security of access for developing countries' service suppliers, regardless of their skills, to be recruited for special assignments, and the absence of any sectoral or occupational category indication renders it difficult to evaluate the value of the offers to the developing countries or design a serious export capacity. It should be noted that in the area of access to distribution channels and information networks, the offers of some developed countries (e.g. United States, Canada, Switzerland) omit access to computer reservation systems.

74. The emphasis of most offers put forward by the developed countries is on commercial presence mode of supply and movement of persons in the form of intracorporate transferee. Most developing countries are not in a position to benefit from the commercial presence mode of delivery given the high cost of establishment in developed countries and the weaknesses of the developing countries' firms in terms of financial and human capital and access to distribution networks and information channels and technology.

75. While sectors which are of particular interest to developing countries and which require the movement of persons other than specialists, executives and managers such as tourism-related services, construction and engineering, business services, health-related services, and maritime transport, are included in the offers of developed countries, however, only top level management personnel are allowed to move to provide such services.

76. Negotiations are continuing on the specific commitments in major sectors such as financial services, maritime services, and basic telecommunication services as well as on the mode of supply of movement of natural persons, which is of particular interest to developing countries. Once the negotiations on these major sectors, the movement of natural persons and exemptions to the MFN are concluded, the market access results of the negotiations on trade in services would become clear and amenable to more precise evaluation.

Chapter IV

EXPANDING THE EXPORT SUPPLY CAPABILITIES OF DEVELOPING COUNTRIES: URUGUAY ROUND AGREEMENTS AND NATIONAL POLICY OPTIONS

77. In addition to the trade liberalization, the outcome of the Uruguay Round also comprises new rules and disciplines on national policy action in a number of areas. This chapter, in a preliminary manner, examines the implications of these new rules from the perspective of the scope for government policy actions in developing countries to foster export-oriented growth and industrial development. This issue is directly relevant to two key elements in the work programme of the Ad Hoc Working Group; namely, the Group's consideration of various national experiences in order (a) to identify national measures, incentives or policies for enhancing the competitiveness of sectors and industries with an export potential, and (b) to identify effective national export promotional and marketing activities.

78. One of the principal tasks of the Ad Hoc Working Group has been, on the basis of an extensive exchange of national experiences, to identify successful national measures, incentives and policies which have proved to be effective and which could be adopted by developing countries for enhancing the competitiveness of sectors and industries with an export potential. The issue is whether and to what extent the Uruguay Round agreements place constraints on the use of certain policy instruments. More generally, do the Uruguay Round agreements introduce new constraints on the formulation and execution of trade and development policies by developing countries, particularly those related to an export-oriented industrialization strategy? Section A below provides a brief overview of developing countries in relation to GATT rules prior to the Uruguay Round. Against this background, section B discusses the implications of Uruguay Round agreements for developing countries' policy options and policy effectiveness.

A. GATT and developing countries prior to the Uruguay Round

79. Since its inception, a number of modifications to the General Agreement on Tariffs and Trade (GATT) have given effect to special and differential treatment (S and D) for developing countries. S and D has been affirmed on two separate grounds for developmental reasons - the need to nurture and protect the development of industries in developing countries (including the balance-of-payments) and the need for preferential market access.

80. Some articles in the original GATT Charter affirmed S and D, in particular Article XVIII. Clause XVIIIB provided developing countries with the flexibility of imposing trade measures to protect the balance-of-payments (and so does Article XII). The conditions attached to Article XVIIIC provided developing countries with the flexibility of taking trade measures to protect infant industries. These provisions, which do not extend to industrialized countries, have provided developing countries with significant flexibility *vis-à-vis* general GATT obligations. As noted above, S and D treatment also manifests itself in a "need for access" form. Part IV of the GATT, which was added in 1965, makes an explicit commitment to the goal of preferential access (Article XXXVI) for developing countries, as well as formally waiving the reciprocity obligation. Preferential access was subsequently given effect through the various Generalized System of Preferences (GSP) schemes which came into force after 1971. The GSP schemes were subsequently given a full legal basis by the Tokyo Round Framework Agreement.

81. Developing countries have played an active role in the Uruguay Round and contributed substantially to its successful outcome. A major contribution of developing countries to the results of the Uruguay Round has been the very significant reduction in the flexibility available to their governments in their use of trade policy instruments. In addition, the outcome of the tariff

negotiations has seen extensive binding of tariff rates by many developing countries, including those which had been contracting parties for many decades. This has served to consolidate both the tariff reductions undertaken by developing countries as part of their autonomous trade liberalization measures under their economic reform programmes as well as the "entry fee" paid by those countries that acceded to the GATT during the Uruguay Round. Furthermore, the incorporation of the revised Tokyo Round Codes (which had previously been accepted by a limited number of developing countries) into the Final Act of the Uruguay Round has resulted in a major increase in the level of multilateral obligations for most developing countries, notwithstanding the mitigating effect of the provisions included on differential and more favourable treatment. While the balance-of-payments provisions of GATT Article XVIII have not been substantially modified by the Understanding on this Article, many developing countries had ceased to invoke Article XVIII:B during the period of the negotiations. Similarly, the TRIMs Agreement, while not introducing new obligations, makes it clear that certain practices, notably local content and trade balancing requirements, are inconsistent with GATT unless covered by the balance-of-payments exceptions.

B. Implications of the Uruguay Round agreements for the trade and development policy options of developing countries

1. Constraints on policy options

82. The recent experience of some East Asian economies which have achieved success in rapidly expanding their exports, as well as the earlier experiences of some developed countries, reveal that successful export-oriented growth is due to a combination of macroeconomic policies (including exchange rate policies) and micro-economic policies (including trade and investment policies). In addition to sound macroeconomic policies, successful countries have used a number of selective policies and measures to influence the direction and level of investment, to increase profitability of exports, to provide incentives for accumulating technological capabilities, to promote technology transfer to domestic enterprises and to reduce risks of exporting firms. In this context, these countries have deployed a variety of policy instruments, including production subsidy, export subsidy, investment-related measures such as export obligation, domestic content requirements, technology transfer clauses, risk sharing insurance and export finance schemes. The Uruguay Round agreements will have implications for the possible use of all or some of these instruments. This section examines, in a preliminary manner, the implications of Uruguay Round agreements on options available to developing countries in the use of policy measures aimed at improving supply capabilities.

83. The agreements which have the most direct bearing on developing countries' policy options are those relating to subsidies, TRIMs, TRIPs, agriculture, and services. Since the rules applicable to agriculture are distinct, it is useful to discuss the policy options in the agricultural sector separately from those in the industrial and services sectors.

(i) Agricultural policy

84. In view of the commitments undertaken in the agreement on agriculture, as described earlier in chapter I, developing countries will face a changed set of policy options in the post-Uruguay Round setting. This changed policy set applies to all developing countries including the least developed. The main differences between the two groups is that the least developed countries are not expected to reduce support levels to the agricultural sector but they are expected to embrace the new policy disciplines. Other developing countries have to reduce support but, under the Special and Differential Treatment clause, they may cut support by less than the developed countries and spread out their reductions over more years.

85. The Agreement on Agriculture restricts the use of certain policies which, according to given criteria, "distort" agricultural production or trade. This includes many of the policies employed in the developing countries, such as minimum guaranteed prices, procurement prices and price stabilization schemes, although some exemptions are made for food security purposes. In cases where administered prices are above world prices, countries may keep administered prices, but the total amount spent on these and similar policies must not exceed the 1986-1988 level in the case of the least developed countries and must be reduced by other developing countries. As the commitment on domestic support is expressed in an Aggregate Measure of Support there is flexibility for countries in deciding where to make cuts. This flexibility in price policy should be of considerable use to developing countries in deciding which commodities are to be given priority in the provision of support. Input subsidies, provided they are widely available to farmers in developing countries, are acceptable as far as the Agreement is concerned.

86. Under the Agreement, acceptable policies ("Green Box" policies) are defined as those interventions which imply either no or minimal "distortions" for domestic production or international trade. To be eligible for inclusion in this category, policies must be government funded and entail neither (a) transfers from consumers to producers through, for example, management of the price structure, nor (b) direct price support. The list of such policies is given in annex 2 to the Agreement on Agriculture; while the list of exemptions is long, many of these involve expenditures by Governments which many developing countries may not be in a position to afford. A review of selected agricultural policy instruments in reference to their compliance with Uruguay Round agreements is given in table IV.1. Policies indicated as "good" are those included in the "Green Box". In conclusion, the challenge for many developing countries will be to developed low cost, decoupled methods of support which nonetheless give the necessary boost to agricultural productivity and production their developmental situation requires.

(ii) Policies for industrial expansion and exports

87. The general expansion of multilateral disciplines into areas traditionally viewed as pertaining to domestic policy has also had an impact on the scope of developing countries options with respect to policy measures aimed at increasing the competitiveness of their exports or to achieve other developmental goals in the industrial sector.

88. The new disciplines on subsidies, contained in the Agreement on Subsidies and Countervailing Measures, although providing some differential and more favourable treatment, introduces limitations on domestic and export subsidies where none existed previously (except for the limited number of developing countries which had subscribed to the Tokyo Round Code). As defined by the agreement, a subsidy means any benefit conferred through a financial contribution by a government, or government revenue foregone, or government provision of goods and services or purchases of goods, or by any form of income or price support. It divides subsidies into three categories: (a) prohibited (which refers to subsidies contingent upon export performance, or upon the use of domestic over imported goods); (b) permitted (where subsidy is not "specific", or access is not limited to certain enterprises, or research subsidies, subsidies to disadvantaged regions within a country, or subsidies to adapt existing facilities to new environmental requirements); and (c) actionable (i.e. subject to remedial action if the subsidies cause adverse effects on the interests of other Members by displacing or impeding imports into the national market or displacing exports to third country markets, by resulting in significant price undercutting, or by permitting an increase in the world market share of a primary product or commodity.

89. The new disciplines on subsidies could potentially be a major constraint on a wide menu of policy choices which some countries in the past have used to

Table IV.1

Review of some agricultural policy alternatives to developing countries under the Uruguay Round Agreement on agriculture

Policy	Compliance with the Uruguay Round Agreement	Comments
Domestic Support Measures		
Output Price Support	Poor: Subject to limitations outside of which distorts prices and increases AMS	There may be a case for price stabilisation involving limited support in some developing countries.
Input subsidies	Moderate: May be used under certain conditions. Otherwise contributes to AMS and price distortion.	Offers a degree of targeting: marginally preferred to output price support.
Credit subsidy	Moderate/good: less distorting effect, possibility of exemption.	More favoured form of intervention, and potentially easy to target.
Food security stocks	Moderate/good: purchases and sales can be at administered prices, but subsidy to producers must be included in AMS. Such stocks must be integral part of national food security programme.	Process of stock accumulation and disposal needs to be financially transparent.
Subsidized food distribution	Good: eligibility to receive food and/or money to buy food at market or subsidized prices subject to clearly defined criteria. Subsidization of prices on a regular basis also permitted.	Food purchases by government to support subsidized programmes must be at market prices; requires financial and admistrative transparency.
Direct income payments	Good: no distorting effects, no increase in AMS provided meets criteria.	Not feasible in most developing country contexts.
Public investment (extension, research, infrastructure, marketing and storage facilities)	Good: in general no distortionary effects or increases in AMS.	Results may be too long-term, particularly infrastructure. Investment in marketing and storage most beneficial. Difficult to target.
Market access		
Non-tariff measures	Poor: tariffs should replace non-tariff measures.	May need to phase out tariffs slowly.
Tariffs	Moderate: permitted within reduction commitment.	
Export Subsidies	Poor: subject to limitations.	

Source: Adapted from FAO, "A Preliminary Assessment of the Uruguay Round Agreement on Agriculture"

good effect. However, there are some qualifications. The agreement explicitly exempts least developed countries and developing countries with a per capita GDP of less than US$1,000 from the prohibition on export subsidies. However, it would exclude all of those countries classified by the World Bank as Lower Middle Income where significant industrialization has not occurred (e.g. Congo, Paraguay, Jordan, Jamaica), as well as many classified as Upper Middle Income where GDP per capita is distorted by having a petroleum sector (e.g. Gabon and Saudi Arabia).

90. For reasons that are well known, GDP per capita is an imperfect indicator of economic development and any boundary thereby set is necessarily arbitrary. While a criterion of US$1,000 includes all the least developed and more, it is also likely to exclude countries where export incentives could continue to play a useful role. A more satisfactory basis would have been to use $1,000 as a trigger for a time constraint on the continued use of the instruments in question and/or to have had a supplementary criterion relating to exports of manufactures.

91. The TRIPs Agreement requires major policy changes by many developing countries, and not only with respect to their policies on transfer of technology and development of indigenous capacities. Under the TRIPs Agreement, members are obliged to apply the principles of MFN and national treatment with regard to the protection of intellectual property. They are also obliged to accept obligations with respect to: (a) copyright and related rights; (b) trademarks; (c) geographical indications; (d) industrial designs; (e) patents; (f) layout designs of integrated circuits; and (g) protection of undisclosed information. Most of these provisions refer to instruments administered by the World Intellectual Property Organization (WIPO) and often contain cross-references to such instruments, specifically the Paris, Rome and Bern Conventions and the Treaty on Intellectual Property in Respect of Integrated Circuits. Nothing in the TRIPs Agreement may derogate from those Conventions, and certain exceptions provided in those conventions must apply to the TRIPs Agreement. Members must comply with the main operational provisions of the Paris and Bern Conventions. However, the TRIPs Agreement will apply to all members of the WTO; the above-mentioned Conventions have lesser participation. In many cases, the TRIPs Agreement goes beyond the Conventions cited, resolving longthy debates in WIPO and UNCTAD. The most notable are (a) the granting of copyright protection to computer software, (b) the reinforcement of the protection of data banks and phonogramme producers, (c) the requirement that patents must be available for any inventions, whether products or processes, in all fields of technology, (d) the reversal of the burden of proof, (i.e. devolving on the accused patent infringer) in civil litigation procedures. Members are required to make available in their national laws the detailed enforcement provisions of the Agreement. Members are permitted to adopt appropriate measures to prevent or control anti-competitive licensing practices or conditions which constitute an abuse of intellectual property rights having adverse effects on competition. They may also, under defined conditions retain compulsory licensing systems.

92. The TRIPs Agreement could have a significant impact on trade and development strategies. From a legal standpoint, the intellectual property rights (IPR) issue is quite straightforward - if ownership exists, it should be protected. The economics of IPR is far less straightforward. Reverse engineering is a tried and trusted mechanism of technology transfer that has been crucial in the industrial development of many countries. In this respect, the absence of a strict IPR protection obligation on the part of developing countries contributes to their industrialization efforts. On the other hand, institutional devices for the protection of IPR exist in order to provide an incentive to the creators of intellectual property. One would anticipate therefore that, in due course, an IPR requirement will assist in building the preconditions for transfer of technology and FDI, and ultimately for rapid growth. The obligation does not fall on developing countries in general until a lapse of five years and for the least developed it is 11 years.

93. The TRIMs Agreement is concentrated on the GATT compatibility of measures which link investment to trade in goods. While not introducing new obligations, it has clearly prohibited certain measures that were frequently used by developing countries as a means to induce foreign controlled corporations to export, or to make adequate use of domestic materials. For example, it prohibits measures which are inconsistent with the obligations of GATT on national treatment on internal taxation and regulation (Article III) and on the general elimination of quantitative restrictions (Article XI), including local content requirements and trade balancing requirements.

94. In time the TRIMs agreement will remove a degree of freedom from policy-makers in developing countries. While some might argue that this may not matter, on the grounds that, in general, these are costly instruments of intervention, in political economy terms, however, it may matter. The most convincing explanation for the existence of TRIMs is that they are systematically used by developing countries to redistribute rents from transnational companies and to counter the use of restrictive business practices of TNCs. As yet, the GATT has not addressed the question of competition policy. Until it does so, constraining the use of TRIMs by developing countries certainly alters their bargaining positions *vis-à-vis* multinational investors; this could have adverse impacts on the trade and development strategies of developing countries.

(iii) Services

95. Another area involving potential constraints on developing countries' policy options is that of services. While developing countries have made commitments in their GATS Schedules which restrict flexibility, particularly in dealings with foreign corporations, these apply only to those sectors or sub-sectors where individual developing countries have chosen to accept such commitments. On the other hand, the GATS specifically permits developing countries to negotiate specific commitments from foreign firms seeking to benefit from such access relating to the strenghtening of efficiency and competitiveness of their domestic services, including through access to technology and improvement in access to distribution channels and information networks.

96. In sum, the following conclusions may be drawn: the rule-making Uruguay Round agreements will constrain the use of the menu of policy instruments available to developing countries, but they will impact differentially on different groups of developing countries. Differential and more favourable treatment for developing countries has largely been limited to longer time periods for implementing obligations, although in some areas (e.g. agriculture, subsidies and countervailing measures and safeguards) the respective agreements provide for more favourable thresholds for undertaking certain commitments or for access to markets in certain situations. The preservation of the special and differential principle, albeit in a more targeted form, will allow some developing countries full unconstrained access to the policy instruments that were available to successful export-oriented developing countries in the past, at least up to some critical level of development.

2. The post-Uruguay Round policy environment and policy effectiveness

97. Having access to policy instruments that have been successful in promoting export-oriented growth and industrial development in the past is only part of the story. For the export-oriented strategy and policy instruments to "work", there needs to be secured access to markets for the policies to be effective.

98. Developing countries, as weaker trading partners, have a strong interest in clear and well-defined international trading rules and disciplines to provide them with security of access to markets for their exports and to shield them against bilateral pressure, as well as unilateral and arbitrary actions from the major trading powers. With the successful conclusion of the Uruguay Round, it

is widely believed that this objective has been achieved and the existing multilateral rules and disciplines have been strengthened and reinforced. This is particularly true in critical areas such as safeguards, anti-dumping actions, subsidies and countervailing measures, and in specific sectors such as textiles, clothing and agriculture.

99. These clarified and improved rules and disciplines would certainly increase security and predictability of market access for developing countries. Some of them even would provide new trading opportunities as a result of the specific commitments with respect to the built-in liberalization measures aimed at improving market access conditions contained therein.

100. Safeguards have been one of the most critical and long-standing problems bearing on the effective functioning of the GATT Article XIX for over 40 years and has led to the ever-increasing incidence of selective trade-restrictive measures being taken outside of the legal framework of the GATT (i.e. the so-called "grey area" measures) by stronger trading partners, particularly against developing country suppliers. Therefore, it was perceived that the international consensus on an effective and efficient multilateral safeguard system for the application of GATT Article XIX held paramount importance in the Round.

101. As a key to the resolution of the problem, the Agreement on Safeguards clarified and reinforced the disciplines for the application of safeguard measures by: (a) reaffirming that such measures must be applied to "a product being imported irrespective of its source", in other words, on an MFN basis; (b) establishing clear investigatory procedures for the application of such measures, which include reasonable public notice, public hearings and other appropriate means for importers, exporters and other interested parties to present evidence and their views, as well as for notification and consultation; (c) defining more precisely the criterion of serious injury; (d) providing for time limits on the use of such measures (four years with extension to eight years for developed countries and to 10 years for developing countries); (e) permitting a waiver on the compensation requirement for the first three years; (f) prohibiting any new "grey area" measures and phasing out all the existing ones within a period not exceeding four years with the exception that each importing member can maintain one specific measure up to 31 December 1999; and (g) establishing a Committee on Safeguards to monitor and review the operation of the Agreement.

102. No doubt all these improvements will bring increased security and predicability to the international trading community as a whole, including developing countries. The increased transparency in procedures and the clear defined provisions with respect to the duration of the safeguard measures can effectively prevent arbitrary and unilateral actions by stronger partners against weaker ones and can significantly reduce the possibilities of the permanent nature of these measures. This is of particular importance to the developing countries in terms of their access to the major markets.

103. It also provides that a safeguard measure must not apply against a product originating in a developing country if the share of imports of the product concerned in the importing developed country does not exceed 3 per cent, provided that developing countries with less than 3 per cent import share collectively account for not more than 9 per cent of total imports of the product concerned. This threshold can enhance predictability, and may create the possibility of certain new market opportunities for some developing countries which are small suppliers and new entrants.

104. During the past three decades, there has been a growing use of "grey area" measures by the stronger trading partners against developing country exports through various ways and means outside the GATT rules. Such proliferation of the so-called "grey area" measures distorted the growing competitive position of developing countries and affected their interests in international trade. The detailed provisions contained in the Safeguards Agreement will ensure proper

use by members in initiating new safeguard measures and require that all the existing "grey area" measures be brought under its control. This will increase security of market access for developing countries.

105. However, the Safeguards Agreement has not effectively brought all sectors of interest to developing countries under its auspices. The sector of textiles and clothing will continue to be subject to a separate regime with a built-in transitional mechanism for another 10 years before it could be brought into the GATT. The agriculture sector will also be subject to a different regime for liberalization, which provides for special safeguard actions in the form of additional duties calculated on the basis of trigger volume and trigger prices.

106. Another area of concern is the so-called "quota modulation" which could lead to certain selective or discriminatory measures being taken against exports of the weaker members in certain circumstances, as the Agreement provides for the possibility for quotas being negotiated by an importing country with the supplying countries as well as deviations from the strict MFN treatment in cases where there is a disproportionate increase of imports from one supplying country.

107. Like the Tokyo Round Code, the new Agreement on Anti-Dumping envisages that developed countries give consideration to the special situation of developing countries when considering the application of anti-dumping measures. Possibilities of constructive remedies provided for by the Code will be explored before applying anti-dumping duties where they would affect the essential interests of developing countries. However, such general provisions could not discipline the use of anti-dumping measures against developing countries after the implementation of the Tokyo Round Code, while these measures continue to be seen as the politically most convenient form of "trade remedy". The potential for proliferation of these measures has been increasing in the 1990s.

108. On the other hand, the new Agreement contains more detailed procedures concerning "Determination of Dumping" and "Determination of Injury", which could be considered generally as a positive outcome for countries which are subject to anti-dumping investigations. In particular, new specifications are aimed at making determination of dumping less arbitrary for exporters (e.g. determination of dumping in the case of low volume of sales in the domestic market of the exporting country; comparisons between export price and normal value, etc.). New provisions concerning examination of factors other than dumped imports, so as to demonstrate causality between dumping and injury to domestic industry, and more precise factors pertaining to a determination of a threat of material injury could be also considered as improvements to the Tokyo Round Code.

109. Another important new provision is the requirement of "immediate termination" of investigation in cases where the margin of dumping is "de minimis" or the volume of dumped imports, actual or potential, or the injury is negligible. The de minimis margin is determined as being less than 2 per cent expressed as a percentage of the export price, while the volume of dumped imports to be regarded as negligible is set at less than 3 per cent of imports of the like product in the importing country unless countries which individually account for less than 3 per cent of imports of the like product in the importing country collectively account for more than 7 per cent of imports of the like product in the importing country. The Code also defines a maximum period of 18 months for conclusion of investigations.

110. It also specifies a "sunset clause", i.e. any definitive anti-dumping duty should be terminated not later than five years from its imposition (or from the date of the most recent review), unless the authorities in a new review initiated before that date determine otherwise. This provision is also applied to price undertakings.

111. Another rule-making result of the Uruguay Round is the establishment of a new integrated dispute settlement system providing greater automaticity in

decisions and procedures and linking together rights and obligations of the WTO members.

112. All new agreements will operate in a single legal framework under the WTO, which would have the effect of: (a) establishing roughly the same set of obligations for all WTO members; and (b) linking all such rights and obligations to trade concessions, i.e. there could be cross-retaliation under the Dispute Settlement Understanding (for example, this can imply, under certain conditions, withdrawal of tariff concessions in cases of infraction of the TRIPs Agreement).

113. Another main result would be much greater transparency in trade and economic policies of the WTO members through provisions for more detailed notification of trade measures, and the establishment of the Trade Policy Review Mechanism (TPRM) on a permanent basis.

114. In conclusion, in order to generate new trade opportunities, these agreements should be faithfully implemented by the WTO members, particularly by adopting necessary modifications in national legislation. In this context, a determining factor would be the extent to which the major trading entities actually respect their obligations in the sense of not abusing the flexibility built into various agreements, and in renouncing action seeking to obtain concessions through bilateral pressures entailing the threat of punitive action rather than through the offering of reciprocal benefits. The respective changes sought in domestic trade laws to accommodate the provisions of the Uruguay Round agreements would serve as an important indication of their eventual impact on world trade. Likewise, practical experience in the implementation of the new dispute settlement system would demonstrate whether it is capable of reducing unilateral action to resolve trade problems among WTO members.

Notes

1. These are: pharmaceutical, construction equipment, medical equipment, steel, beer, furniture, farm equipment, spirits, wood, paper, toys.

2. Tropical products, natural resource-based products, and manufacturing sectors, are discussed in detail in Chapter II.

3. There are a number of exceptions to this general rule: (i) a country may maintain restrictions on a primary agricultural product to the end of the six year implementation period, minimum access commitment of 4 per cent would be increased to 8 per cent over this period; (ii) a developing country may retain restriction on imports of a primary product that is a staple foodstuff, but must provide minimum access opportunities of 1 per cent to be increased to 2 per cent after five years and to 4 per cent after 10 years. In both cases negotiations must be held if countries wish to make use of this "special treatment" after the end of the implementation period; and (iii) countries may impose an "additional duty" to protect their market if the volume of imports of a given product exceeds a "trigger level" in terms of percentage of domestic consumption and when import prices fall below a "trigger price" based on a 1986-88 reference price. The amount of the additional duty is a function of the difference between the import price and the trigger price (i.e. similar to a variable levy).

4. This requirement does not apply to (i) measures deemed to have a minimum impact on trade or "decoupled" from domestic production (these are listed in annex 2 to the Agreement (the Green Box)); (ii) where support is less than 10 per cent of total value of production for developing countries (5 per cent for developing countries), on general or product specific basis where relevant; (iii) direct payments under production limiting programmes (e.g. bound set-aside

programmes); and (iv) for developing countries, with respect to general infrastructural investment subsidies, agricultural input subsidies, or those applied to encourage diversification out of illicit narcotic crops.

5. Calculations by the secretariat based on COMTRADE statistics show that in recent years around 75 per cent of exports of manufactures from developing countries to developed market-economy countries originated in developing Asia, 18 per cent in Latin America and 4 per cent in African developing countries. See also the section on: Recent trends in world trade, Trade and Development Report, 1992, Chapter II).

6. For developing countries as a group, 12 sectors contributed with more than 2 per cent to their total earnings in 1992. These are: non-metallic mineral manufactures, manufactures of metal, non-electrical machinery, office machines and automatic data processing equipment, telecommunications and sound recording and reproducing equipment, electrical machinery and apparatus, automotive products, textiles, clothing, footwear and miscellaneous manufactured articles.

7. These are: non-metallic mineral manufactures; machinery and transport equipment; non-electrical machinery; office machines and automatic data processing equipment; telecommunications and sound recording and reproducing equipment; automotive products; sanitary, plumbing, heating appliances; furniture; and profesional, scientific and controlling apparatus.

8. For further details on tariff reductions on products of export interest to developing countries in the markets of Quad countries, see the background tables for this report which are available from the secretariat upon request.

9. For a description of the model see: Sam Laird and Alexander Yeats, The UNCTAD Trade Policy Simulation Model, UNCTAD discussion paper No. 19, October 1986.

10. Products which, in 1990 accounted for not less than 16 per cent of the total volume of imports in 1990 of the products in the annex to the agreement.

11. For example, Canada has offered access to "contract related natural persons" providing services which cover engineers, agrologists, architects, forestry professionals, geomatics professionals, land surveyers for a period of three months; and the United States has offered "specialty occupations" up to 65,000 persons annually on a worldwide basis in occupations requiring highly specialized knowledge and full state licensure, and very strict conditions such as the employer has taken steps to recruit and train sufficient U.S. workers in the specialty occupation, etc., entry for such persons is limited to three years, and legal services practice as or though a qualified U.S. lawyer. Some developed countries withdrew certain horizontal categories at the last stage of the negotiations, for example Switzerland withdrew the category of "other natural persons supplying services" who are employees of an enterprise not having a commercial presence in Switzerland and with a contract with a Swiss consumer of services and Canada withdrew its offer on computer systems analysts. Many of the offers by developed countries, e.g. EU and the Nordic countries, in the business sector have nationality or residence requirements which render access very difficult.

12. For more details on temporary movement of persons, see TD/B/CN.4/24 which elaborates on the domestic legislation on movement of persons and the international regimes based on regional arrangements and bilateral agreements.